

Collaborating for Success: Advancing Public Higher Education Through Cooperation

IN RESPONSE TO PA 203 OF 2010, SECTION 466

Presidents Council, State Universities of Michigan
January 2011



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Advancing Public Higher Education Through Cooperation

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Introduction

Section 466 of PA 203 of 2010 requires the Presidents Council, State Universities of Michigan to provide the executive and legislative branches with a year end report on the coordination of purchased goods by the state universities. We are pleased to comply with the request by providing this report reflecting a wide range of collaborative arrangements entered into by our universities. This year we have also included a third section on how each university has been and is currently working on various cost efficiencies in the areas such as human resources, energy, and technology.

Michigan is a unique state in terms of its higher education structure. The public universities are constitutionally autonomous and as such, operate independently of any formal coordinating body. The fact that they are autonomous should not suggest that they do not recognize and leverage their collective power to run their operations more efficiently. In this report, we discuss a full array of inter-institutional collaborative efforts among the 15 public universities. Many of these initiatives realize actual cost savings while others are simply a matter of a commitment to generating an educated workforce, creating economic development, and doing what is right based on professional values.

Michigan public universities collaborate because they understand the benefits of operating their institutions as efficiently as possible to maintain their commitment to the highest quality education for their students. Equally, our universities continue to explore opportunities to collaborate and will do so in an effort to cut costs and to remain efficient, effective, and of the highest quality. Our students and citizens demand it and our state relies upon it. Michigan's public universities are continually looking for ways to contain or reduce costs while simultaneously increasing productivity.

This report contains three sections. Section I addresses initiatives that are specifically intended to save money for our universities including collaborative arrangements such as:

- Michigan Universities Self-Insurance Corporation (MUSIC)
- Michigan Universities Coalition on Health (MUCH)
- Merit Network
- Midwestern Higher Education Compact (MHEC), and
- Michigan Delivering Extended Agreements Locally (MiDEAL)

Advancing Public Higher Education Through Cooperation

INTRODUCTION

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INTRODUCTION

Collectively, these efforts save the public universities millions of dollars on property insurance, health care, networking technologies, computer hardware and software purchasing, and a whole range of durable goods.

Section II provides brief descriptions of collaborative efforts demonstrating a shared commitment to generating an educated workforce and creating economic development across the state. It is difficult to capture cost savings among these efforts, but they certainly contribute to the important work undertaken by public higher education in the state to improve individual lives, fill workforce needs, and improve Michigan's economic competitiveness. These initiatives include:

- Academic Program Review (APR)
- Michigan Initiative for Innovation & Entrepreneurship (MIIE)
- Higher Education Recruitment Consortium (HERC)
- Michigan College Access Network (MCAN)
- Michigan Statewide Longitudinal Data System (MSLDS)
- Michigan Transfer Network (MTN)
- Japan Center for Michigan Universities
- Detroit Compact and Wade McCree Scholars Programs
- Intern in Michigan
- Arts in the House
- Professor of the Year
- It's MLife, and
- Regional Cooperation

In many cases, cost savings may be realized but they are difficult to approximate and are secondary to the overall goal of the programs. For example, HERC allows participating institutions to actively pursue top faculty and research talent and to accommodate possible trailing partners. Without collaboration, either the institutions absorb the cost of hiring the second person or they run the risk of not attracting top candidates. In this case, HERC provides a mechanism to work collectively to hire and place professional couples in a way that maintains a commitment to quality and also more efficiently placing individuals where they can make the strongest contribution.

And in a new Section III for 2010, each public four-year university addresses the cost efficiencies that it has undertaken since the mid-2000s. The universities have implemented cost efficiency activities while maintaining quality academic programs and excellent educational experiences for our students. The areas where the highest percentage of prevalent cost efficiency activities have taken place have occurred across academic programs, outsourcing, human resources, energy, and technology.

Section I: Collaborative Cost Savings

In Section I we present the range of collaborative efforts among the universities specifically intended to save universities money. In each case, we highlight which universities participate in the effort. Our universities differ in terms of mission, size, scope of programs and to the extent research is conducted. As such, the collaborating institutions may depend entirely upon whether the institution will, in fact, benefit from participation. For each collaborative agreement discussed in this section, a list of the 15 public universities is provided in the left hand column; participating institutions are identified in bold and dark lettering while non-participating institutions are listed in grey.

Michigan Universities Self-Insurance Corporation (MUSIC), Michigan Universities Coalition on Health (MUCH), and Midwestern Higher Education Compact (MHEC) are able to provide actual cost savings. In the case of MiDEAL, actual cost savings figures were not available, but it is assumed that the state contract is as good as or better than any arrangement public institutions can make on their own for a range of goods.

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SECTION ONE

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MUSIC

**Central Michigan
University**

**Eastern Michigan
University**

Ferris State University

**Grand Valley State
University**

**Lake Superior State
University**

Michigan State
University

**Michigan Technological
University**

**Northern Michigan
University**

Oakland University

**Saginaw Valley State
University**

University of Michigan
- Ann Arbor

University of Michigan
- Dearborn

University of Michigan
- Flint

Wayne State University

**Western Michigan
University**

Michigan Universities Self-Insurance Corporation (MUSIC)

Mission Statement

The Mission of M.U.S.I.C. is to provide a comprehensive risk management and loss control program to Member Universities by providing broad coverage for common exposures in the most cost effective manner.

M.U.S.I.C. continues to perform as one of the premier consortia programs in the United States. **M.U.S.I.C. reached the milestone of returning funds in the form of dividends back to its members of over \$30 million! This consortium, which recently completed its 23rd year of operation, consists of 11 of the 13 public universities.** M.U.S.I.C.'s continued commitment to loss prevention, claim management and conservative financial management has produced consistent returns on investment to our members. This has been a joint effort of risk managers, finance managers, and legal officers. This collaboration of our diverse group of professionals is one of M.U.S.I.C.'s greatest assets.

The M.U.S.I.C. Board, assisted by Marsh of Detroit, accomplishes its day to day operations, and develops both short and long term goals through its standing committees. All 11 members participate in some form on the various committees and serve as resources for the corporation. The success of M.U.S.I.C. is primarily due to the work of the individuals from each of the universities who serve on these committees and the respective institutions who have been very supportive in allowing their staff to be a part of the M.U.S.I.C. program. In short, M.U.S.I.C. is successful due to the blending of expertise and the support provided by its member institutions. The time and effort put forth by the members is more than validated by the return of over **\$30 million** back to the Universities.

In addition to the return of dividends, M.U.S.I.C. has saved its members substantial premium dollars annually while providing manuscripted broad coverages to the universities. Errors and Omissions (E&O) and Commercial General Liability (CGL) – the original coverages – continue to be the heart of the program. Property coverage was added in 1989 and Automobile Liability and Physical Damage, Foreign Liability, Medical Malpractice, Pollution Liability, Non-Owned Aviation, Cyber Risk and Media Liability have also been added as group purchases since the inception of the program.

M.U.S.I.C. Members have lower premiums and retentions than what they could obtain in the traditional insurance market. Annually, Marsh Inc., M.U.S.I.C.'s Facility Manager, obtains premium and deductible information from our underwriting partners and competitors. The aggregate savings for the most recent policy year were **\$6.75 million in premium and \$1.8 million in retentions**. If we were to conservatively estimate the average aggregate savings annually to be \$6 million in premium and \$1.8 million in retentions, the **savings would total \$138 million in premium and \$41.4 million in retentions** over the 23 year life of the facility. M.U.S.I.C. is proud of these accomplishments and looks forward to continuing to service our members for many years to come.

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MUSIC

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MUCH

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- Dearborn

University of Michigan
- Flint

Wayne State University

**Western Michigan
University**

Michigan Universities Coalition on Health (MUCH)

The Michigan Universities Coalition on Health (MUCH) was established in 1997 as a committee, reporting to the Business Affairs Officers of the PCSUM. In March 2005, at the urging of the Business Affairs Officers, MUCH incorporated as a Michigan non-profit corporation and subsequently received federal tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

Twelve Michigan public universities are the founding members of MUCH. Current officers of the organization are Renee Rivard, Michigan State University, President and Chairperson; David Smith, Grand Valley State University, Vice Chairperson; Gavin Leach, Northern Michigan University, Treasurer; and Lori Hella, Central Michigan University, Secretary. Patti Klobucar is the Executive Director.

Mission

The purpose of MUCH, Inc. is "to further higher education and relieve the burdens of government by operating for the benefit of its members, all of which shall be institutions of higher learning that are Michigan state universities, Michigan community colleges or tax-exempt private colleges or universities providing education in Michigan...[and] to gather and share among the members useful information concerning benefit programs for their employees and negotiate advantageous employee benefit services for which Members may individually contract..."

The MUCH, Inc. Model

The MUCH model employs a coalition approach whereby employee enrollment is pooled and a self-insured template contract with coalition pricing is negotiated. The agreement is with Blue Cross Blue Shield of Michigan (BCBSM) and through the affiliation of MUCH with AEPC, the CVS Caremark agreement, claims **are not pooled**.

This approach offers several advantages including individual choice, plan design flexibility, and coalition savings.

In our model, each university maintains its own plan. This may include the provider network, plan copays, deductibles, coinsurance, stop loss protection, and specific benefits covered by the plan. The university is only responsible for the costs associated with claims for its own employees, dependents and retirees as applicable.

As reported in 2009, Table 1 summarizes the average per employee health care costs for Michigan Public Universities compared to Large Employers, defined as having 500 or more employees, from the National Survey of Employer-Sponsored Health Plans conducted by Mercer and the Michigan State Government employees.

Table 1
Average Per Employee Health Care Costs
Medical & Prescription Drugs

Michigan Public Universities	Mercer Survey Large Employers Nationally	Michigan State Government
\$9,046	\$9,286	\$11,887

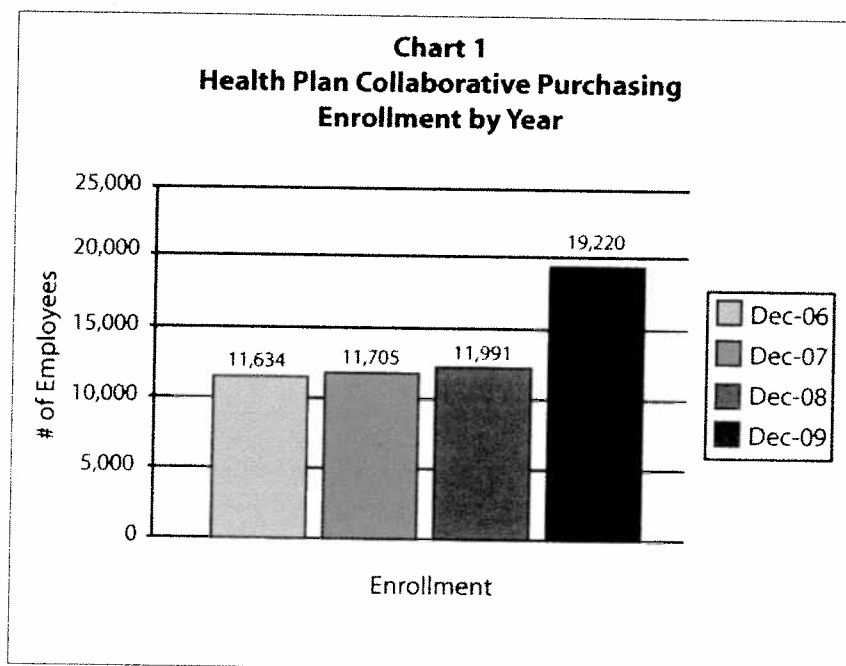
Further breakdown shows that when comparing the employer and employee costs, Michigan Public University employees contribute a greater share of costs as compared to Michigan State Government employees as shown in Table 2.

Table 2
Average Per Employee Health Care Costs
Medical & Prescription Drugs

	Michigan Public Universities	Michigan State Government
Total Costs	\$9,046	\$11,887
Employer Costs	\$7,863	\$10,900
Employee Costs	\$1,183	\$987
Employer Costs	\$13.1 percent	8.3 percent

Health Plan Initiative

Chart 1 tracks the growth in enrollment of our health plan collaborative purchasing effort since negotiating the first template contract with BCBSM.



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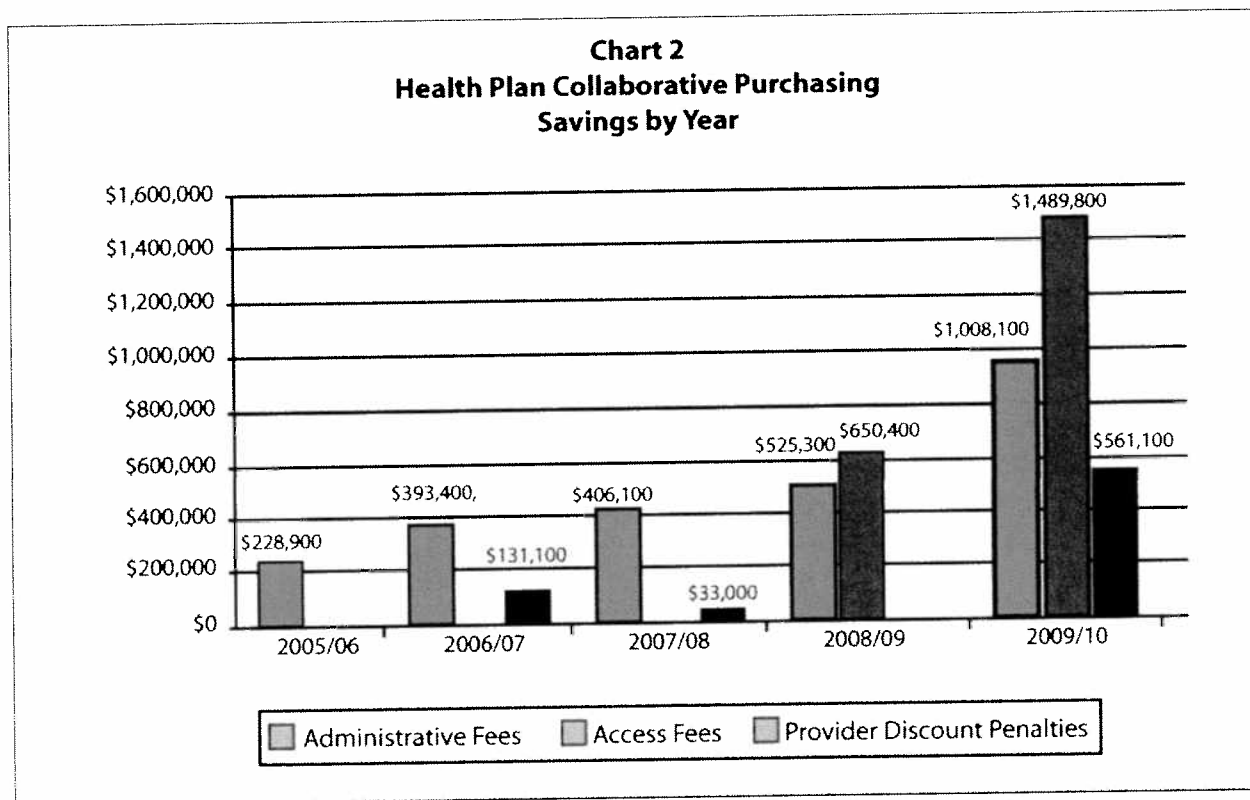
MUCH

Enrollment through the template contract was stable until 2009 when four additional MUCH university members, Eastern Michigan, Lake Superior State, Northern Michigan and Western Michigan, began using the renegotiated template contract. Currently, 19,200 employees are counted toward the total enrollment. Current members using the template contract are: Central Michigan, Eastern Michigan, Ferris State, Lake Superior State, Michigan State, Northern Michigan, Wayne State and Western Michigan.

Through group purchasing efforts, MUCH has achieved the following: lower administrative fees, lower fixed access fees, and capped annual increases.

The agreement provides greater cost savings as more lives are covered and includes provisions for centralized customer service centers, performance guarantees and other cost control features that provide predictability for university members.

Chart 2 provides a historical view of the estimated savings achieved through collaborative health plan purchasing. As shown during the current fiscal year, it is estimated that collaborative health plan purchasing has saved the eight participating universities \$1,008,100 in fixed administrative and stop loss fees with an additional \$1,489,800 in access fee savings and \$561,100 in provider discount savings totaling \$3,059,000. Combining the current savings with an estimated \$2,368,200 from the previous periods, the participating universities have estimated cumulative savings of \$5.4 million.



Pharmacy Benefit Manager Initiatives

With the successful implementation of the health plan initiative, MUCH began evaluating a similar process for pharmaceutical benefits. Through its affiliation with AEPC, MUCH has access to favorable coalition pharmaceutical benefit management (PBM) pricing that was negotiated with CVS Caremark. The affiliation allows MUCH to collaborate with the Thomson-Reuters Pharmacy Benefit Strategies division a leading pharmacy benefit consulting firm that uses pharmacy expertise, broad-based PBM experience and fact-based business strategies to enhance pharmacy benefit value while reducing costs.

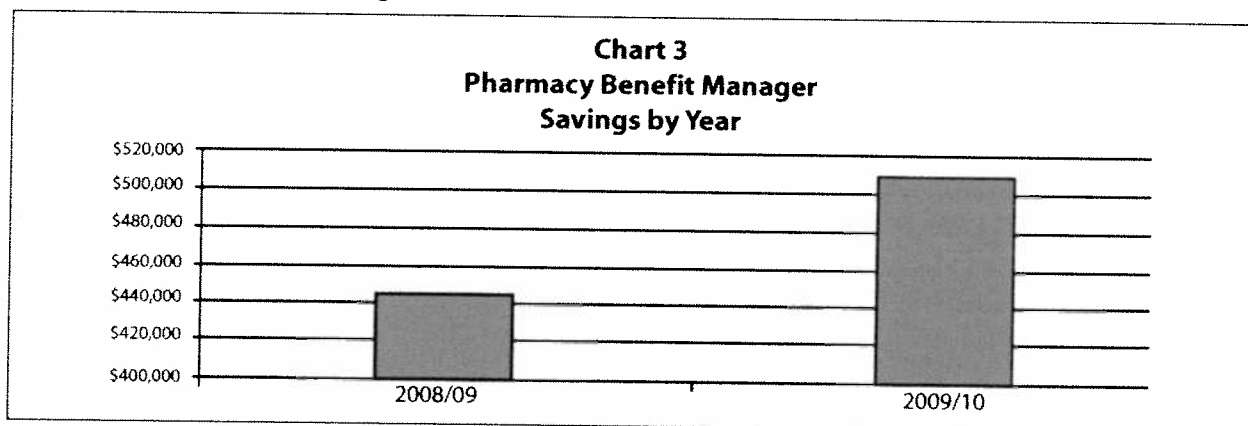
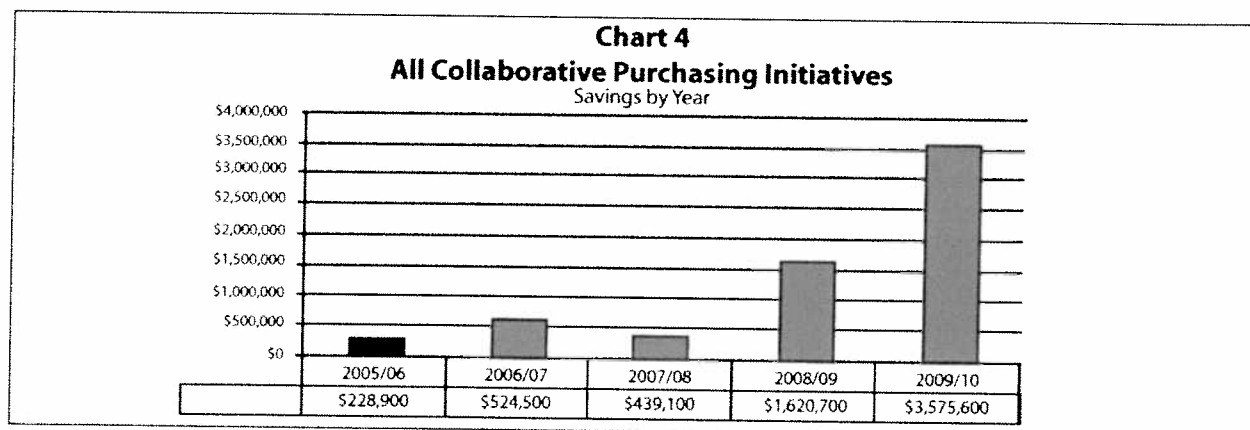


Chart 3 above shows the estimated savings that were realized through collaboration of Pharmacy Benefit Manager group purchasing. **During 2008/09, Ferris State and Grand Valley State were utilizing the coalition based pricing that is available to MUCH members through affiliation with AEPC. Savings were estimated to be \$445,000. During 2009/10, Central Michigan and Wayne State joined the other MUCH members utilizing the AEPC / CVS Caremark uniform contract and pricing. In the current year, it is estimated that collaborative pharmaceutical benefit management purchasing has saved the participating universities \$514,600. Combining these savings with previous time-periods resulted in cumulative savings of \$959,600.**

Savings Summary

In total, through collaborative purchasing, **an estimated \$6.3 million has been saved by the MUCH members** that participate in the template contracts model. The savings were achieved by utilizing a competitive bid process and because of the university cooperation, persistence and strategic information sharing. Chart 4 summarizes the estimated saving by year.



² Michigan State University (MSU) participates in the pharmacy benefit manager group purchasing initiative through AEPC. Their involvement predates the 2008 affiliation between AEPC and MUCH so the MSU savings are not included in this report.

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MUCH

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Other MUCH Initiatives

- Because of the impact that care and case management have on health care costs, MUCH joined a coalition of employers that was formed by Mercer to review the BCBSM Clinical Management program. Results of the evaluation have been reviewed, and MUCH is working with BCBSM to determine next steps.
- MUCH members continue to collaborate and learn from each other and from industry experts. Recent presentations included the following topics:
 - Patient Protection and Affordable Care Act (PPACA). With the potential to add 1 percent to 2 percent to health care costs in the coming year, PPACA will be an ongoing topic for discussion.
 - Designing and implementing a High Deductible Health Plan (HDHP). MUCH members discussed their plans and experience. Continued cost pressure in higher education has MUCH members evaluating any and all saving opportunities including the addition of HDHP as a plan option for employees.
- Several strategies were employed by MUCH members to change post retirement health benefits for new employees. This will reduce their future healthcare liability that must be accounted for under GASB 45.
- MUCH members offered a variety of incentive programs to entice those eligible for retirement to retire. Some MUCH members had employees retire as part of the State's early retirement program.
- In 2009, AEPC issued a request for proposal for vision service plans and Davis Vision was selected. Through MUCH's affiliation with AEPC, member universities are evaluating the pricing terms of this new collaborative purchasing opportunity.
- In an effort to reduce costs while maintaining value, several MUCH members engaged in a study to evaluate the value of services provided by third-party administrators, hospitals and physicians.
- Implementation of a Generic Prescribing Program that will decrease prescription drug plan costs and continue to protect employee and retiree choice and access to quality medications.

Merit Network

Merit Network Inc., a nonprofit corporation owned and governed by Michigan's public universities, owns and operates America's longest-running regional research and education network. In 1966, Michigan's public universities created Merit as a shared resource to help meet their common need for networking assistance. Since its formation, Merit Network has remained on the leading edge of high-performance networking and provides connectivity and services to research and education communities in Michigan and beyond.

Merit continues to leverage its experience managing NSFNet, the precursor to the modern Internet, to catapult Michigan into the forefront of networking technologies. Merit has created a state-wide fiber strategy to support research and education in Michigan, and its **self-funded initiative to deploy 10 Gbps backbone across the state** is providing a flexible, robust architecture to the growing needs of its members. Every Merit member public university is connected to the network by a Merit managed fiber-optic connection with a minimum of 1 Gbps to a maximum of 10 Gbps. Merit receives no legislative dollars to support its operations. Stability, consortium pricing and university control are among the main reasons Michigan's universities received high-speed network and Internet access earlier than in almost any other state.

In 2010, the National Telecommunications and Information Administration awarded Merit's REACH-3MC (Rural, Education, Anchor, Community and Health care - Michigan Middle Mile Collaborative) two federal grants to build over 2,200 miles of fiber-optic network infrastructure in Michigan. Merit is leading the collaboration that will create vital broadband infrastructure in underserved areas of the state and provide Merit Network connectivity to universities, community colleges, K-12 schools, government, libraries and other anchor institutions.

Merit's advanced network enables the organization to provide network-based services to the member institutions leveraging economies of scale, otherwise absent from individual institutions. Through Merit, Michigan public universities and other education identities have developed their own solution to today's networking challenges and created the nation's premier research and education network.

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MERIT NETWORK

**Central Michigan
University**

**Eastern Michigan
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University**

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University**

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**Western Michigan
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MHEC

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Michigan State
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Western Michigan
University

Midwestern Higher Education Compact (MHEC)

The Midwestern Higher Education Compact (MHEC) was established in 1991. The Compact's charge is to promote interstate cooperation and resource sharing in postsecondary education. MHEC's member states are: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Ohio and Wisconsin.

The Michigan Commissioners in 2010 were: Lieutenant Governor John Cherry; State Senator Tony Stamas; State Representative Pam Byrnes; President David Eisler, Ferris State University; President Conway Jeffress, Schoolcraft College. Representative Byrnes served as Chair of the Commission.

State Representative Joan Bauer, Edward Blews, Association of Independent Colleges and Universities of Michigan (AICUM), John Austin, Vice President for the State Board of Education, and Michael Boulus, Presidents' Council State Universities of Michigan (PCSUM), serve as Commissioner-Alternates.

The Compact is financed largely through member state obligations, cost savings initiatives and foundation grants. A small, full-time staff located in Minneapolis administers MHEC's daily operations, programming, and policy-research activities. The Compact's three core functions are: cost-savings, student access, and policy research. MHEC offers a range of cost-saving strategies for member states and the public universities are among the participating institutions. Those programs and estimated cost savings for 2009-10 are provided below. All 15 public universities participate in one or more of these cost savings programs (see Tables 1 and 2 in Appendix for cost savings information).

MHEC provides cost saving strategies in three primary areas – computer hardware, software, and master property – and the total estimated cost savings to Michigan was \$5,117,170. These programs are available to a variety of institutions in Michigan from the public universities and community colleges to the private universities, K-12 education, and in some cases even other nonprofit organizations in the state. Where possible, we will highlight the cost savings associated with the public universities.

Michigan saves the second most of any of the twelve states using MHEC programs (second only to Illinois). Michigan's total savings for 2009-2010 was \$7,403,835 (including the student exchange program not listed below).

Computer Hardware Program**Savings: \$3,608,516**

MHEC has hardware purchasing agreements established with Dell, Fujitsu, Oracle (formerly Sun), Systemax/Global Gov Ed/Comp USA and Xerox. MHEC also has entered into agreements with Alcatel-Lucent, Enterasys, Mitel and Juniper for data and voice networking equipment. In 2009-10, Michigan public universities purchased more than \$2.5 million of equipment through MHEC purchasing agreements for an estimated savings of \$261,560. More than half of the savings realized by Michigan in terms of computer purchasing was realized by K-12 school districts.

Software Program**Savings: \$270,892**

MHEC has established agreements for the licensing or procurement of Novell, Oracle and VMware products and services. Currently, seven of our public universities utilize the Novell licensing agreement through MHEC, which guarantees participating institutions the lowest discount available through Novell regardless of the size of the institution. Typically, the lowest discount of 46 percent is only available to institutions larger than 100,000 FTE students. The participating public universities saved approximately \$129,244 in software licensing fees through this agreement.

Master Property Program**Savings: \$1,237,762**

The Master Property Program (MPP) has brought property insurance benefits to institutions of higher education since 1994. The program was established to broaden property coverage, reduce program costs and encourage improved asset protection strategies for colleges and universities in the Midwestern Higher Education Compact's (MHEC) twelve member states. Currently, higher education institutions in Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, and Nebraska participate in the program. In addition, collaboration with the Western Interstate Commission for Higher Education (WICHE) in June 2004 opened up the program to institutions in the West. With this, institutions from Arizona, Colorado, Nevada, Oregon, Utah, Washington and Wyoming have joined the Master Property Program. This past year the University of Maine System joined the program when MHEC opened it up to institutions located in the New England Board of Higher Education (NEBHE) region. The program insures Total Insurable Values (TIV) in excess of \$73.1 billion with over 100 campuses participating in the program, comparable in size to a Fortune 500 company. Currently, 10 public universities in Michigan participate in the Master Property Program, accounting for more than \$1.2 million in savings between savings on premiums and dividends paid back to the institutions.

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MHEC

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MiDEAL

**Central Michigan
University**

**Eastern Michigan
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Michigan Delivering Extended Agreements Locally (MiDEAL)

MiDEAL allows Michigan local units of government to benefit from the State's negotiating and purchasing power by permitting them to purchase from the State's contracts on the same terms, conditions, and prices as State government. Higher education can benefit not only from the reduced cost of goods and services, but also from indirect savings related to writing specifications, researching industries, processing invitations to bid, recruiting a diverse pool of potential suppliers, and making awards. The MiDEAL program is authorized by Michigan legislation and has been in existence since 1975. These purchasing agreements have been made available to the public universities and have been used extensively by our institutions.

Universities are always looking for opportunities to work more closely with the state and amongst themselves toward a common goal of reducing costs for operations. With this in mind, the Presidents Council was instrumental in formally establishing the State of Michigan/University Purchasing Task Force in 2003. The task force has met to discuss the expanded use of existing contracts, identifying joint efforts for future contracts, and exploring additional cost reduction strategies.

The purchasing officers appreciate the opportunity to work more closely with the state toward the common goal of reducing costs for their operations. The taskforce has allowed them to look for opportunities for collaborative purchasing efforts between the state and universities. The taskforce identified five areas to focus their efforts: energy (electricity, natural gas), information technology, travel, vehicles and written agreements. In addition, the state sought the input of university purchasing officers on recent statewide solicitations including those for telephone equipment and vehicles.

All of Michigan's public universities participate in MiDEAL, as well as full or partial participation in the state's Energy Purchasing Cooperative Program, which includes purchases not only for natural gas, but electricity, energy conservation, and performance contracting. The cooperative electricity buying program was one of the first initiatives through the purchasing taskforce. It is difficult to put a specific dollar amount on the captured savings given the number of contracts and prices available from the state. According to the Michigan Department of Management & Budget's Acquisition Services Office, participants

can save both time and up to 38 percent savings off the State of Michigan's contracts. The state program can also be used to leverage even better prices from competing and local vendors.

Currently, the Presidents Council is working with the State of Michigan Purchasing Operations Unit to strengthen and promote Buy Michigan First/Buy Local purchasing policies including a resource toolkit specifically for higher education.

Advancing Public Higher Education Through Cooperation

MIDEAL

Section II: Collaborative Efforts to Promote and Improve Quality

Universities are catalysts for economic growth in Michigan, but in order to do so, they must maintain a commitment to high quality education and research. As such, the public universities participate in a number of collaborative opportunities including:

- Academic Program Review (APR)—a cooperative review process for all proposed new academic programs, significant modifications or programmatic changes
- Michigan Initiative for Innovation & Entrepreneurship (MIIE)—a consortium to leverage university assets to contribute to Michigan's economic growth and diversification, and to enhance technology transfer activities
- Higher Education Recruitment Consortium—a collaborative to share information and resources to attract and retain talented faculty and staff
- Michigan College Access Network (MCAN)—a network of public and private institutions, state government, K-12 education, and local communities and foundations working together to increase college participation and completion rates
- Michigan Statewide Longitudinal Data System (MSLDS)—a State of Michigan initiative
- Michigan Transfer Network (MTN)—a coordinated effort to establish a centralized course transfer equivalency system
- Japan Center for Michigan Universities—a collaboration to provide Japanese and English language and cultural programming and professionally-focused programs in Japan
- Detroit Compact & Wade McCree Scholars Program—collaborative programs offering scholarships to Detroit Public School students
- Intern in Michigan—a collaborative statewide initiative to connect college students seeking internships to Michigan-based employers who are looking to hire them
- Arts in the House—a program to recognize student artwork by displaying their work in the House office buildings
- Professor of the Year Award—a program recognizing outstanding faculty contributions to undergraduate instruction
- It's MLife—a program and website for teens designed to help foster a culture of education in our state.
- Regional Cooperations—institutions partner with organizations and consortiums within their particular region to ensure cost savings

While cost savings is possible and even likely among many of these initiatives, they serve a very different purpose with a common end - to better serve the state and its residents.

Academic Program Review (APR)

Public higher education's role is to provide high quality education programs and to make education accessible to the citizens of Michigan. To fulfill this role the public universities of Michigan have developed a cooperative review process for all proposed new or modified academic programs. The Presidents Council delegates review of academic programs to the Academic Affairs Officers Committee which meets three times a year to review new, modified, or phase out academic programs. In presenting a proposal for a new program or modification of an existing program institutions are expected to address the consistency of the program with the institution's mission and future directions, need of the program, adequacy of resources, and academic quality.

Institutional Mission and Future Direction

Each institution bringing forth a new or modified program is expected to address how the program is aligned with the institution's mission and plans for the future.

Need

With respect to the need for the proposed program, questions such as the following are examined: What is the rationale for the proposed program? Will the program serve a specified purpose in the local community, a particular region, the state as a whole or within a particular field? Are there similar programs offered by other institutions? If so, how does the proposed program differ? Will the new program provide access to underserved constituencies?

Resources

Faculty, information resources (e.g., library) and facilities are recognized as being essential for quality academic programs. Recognition is also given to the availability and source of funds to provide adequate support for the proposed new program. How will the resources allocated to a new initiative impact funding for existing programs, and will the proposed program represent an effective and efficient use of institutional resources?

Quality

While each institution attends to the issue of quality control in the development of academic programs, the Academic Affairs Officers Committee systematically reviews proposals noting in particular curricular design, faculty qualifications, plans for outcomes assessment and support services. The objective is to assure that new programs are not only needed and can be adequately supported, but that high standards will prevail in all such academic endeavors.

All of the above criteria and considerations apply to both undergraduate and graduate programs. In May of each year, the Presidents Council assembles a report of all new degree programs approved and all programs discontinued at the universities over the course of the previous year and reports them to the Michigan Legislature pursuant to section 701(2)(e) of the Higher Education Appropriations Act.

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APR

**Central Michigan
University**

**Eastern Michigan
University**

Ferris State University

**Grand Valley State
University**

**Lake Superior State
University**

**Michigan State
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**Michigan Technological
University**

**Northern Michigan
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Oakland University

**Saginaw Valley State
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**University of Michigan
- Ann Arbor**

**University of Michigan
- Dearborn**

**University of Michigan
- Flint**

Wayne State University

**Western Michigan
University**

Advancing Public Higher Education Through Cooperation

MIIE

Central Michigan
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Eastern Michigan
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Ferris State University

Grand Valley State
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Lake Superior State
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Michigan State
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Michigan Technological
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Northern Michigan
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Wayne State University

Western Michigan
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Michigan Initiative for Innovation & Entrepreneurship (MIIE)

Michigan Initiative for Innovation & Entrepreneurship (MIIE) is a **consortium of Michigan's 15 state universities**, leveraging university and private foundation assets to contribute to Michigan's economic growth and diversification. MIIE was the logical outgrowth of MUCI – the Michigan Universities Commercialization Initiative – adding more institutions to the collaborative efforts and expanding into entrepreneurship.

The three MIIE funds are helping speed commercialization of university intellectual property, grow university-industry partnerships, and foster a culture of entrepreneurial risk-taking. The funds are:

- Technology Commercialization
- Industry & Economic Engagement
- Talent Retention & Entrepreneurship Education

Initial funds for MIIE came from the C.S.Mott Foundation and the New Enterprise Initiative for Southeast Michigan. In late 2010, MIIE was awarded \$1 million by the Dow Foundation, to be used for grants in 2011 and 2012.

MIIE has made \$3.47 million in grants to 57 university projects. No awards were made in 2010, but MIIE funded projects continue to move forward with positive results. Two highlights:

- A project for Commercialization of Ultra-Low Power Microcontrollers for Wireless Sensing (Phoenix Processor), developed by University of Michigan researcher, has been developed into the start-up company called Ambiq Micro, which has now received \$2.4 million in seed capital.
- MIIE supported a number of Wayne State University teams in the E2Challenge at Techtown. One has launched a startup company called Qisol, which provides meters for monitoring solar hot water heater performance.

The MIIE Technology Commercialization Fund is a continuation of the previous multi-university collaboration MUCI (Michigan Universities Commercialization Initiative).

Cycle	Awards	\$Awarded
June 2008 (Pilot Round)	20	\$1,334,031
November 2008 (Joint Round w/ MUCI)*	9	\$607,140
March 2009	25	\$1,454,761
Fall 2009	3	\$75,000
TOTAL		\$3,470,032

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MHE

Although MUCI has not received new funding in some time, Michigan's research institutions have begun contributing back to the fund as they generate revenues from MUCI-funded projects. As a result of this revenue stream MUCI was able to announce a new RFP; review committees will be considering technology commercialization proposals in December 2010.

The list of start-up companies that have developed out of MUCI-funded technologies has grown again to a total of 49, 43 of which are active. Most recent MUCI grads include Bio-Discovery, Fusion Coolant Systems, and Lymphogen.

MUCI began in 2001 as a collaboration between Michigan State University, the University of Michigan, and Wayne State University, to enhance technology transfer activities by working closely with venture capital and industry representatives.

More than \$7.73 million was awarded from September 2001 through November 2008, with 90 projects receiving funds. More than 45 companies have started MUCI-funded technologies, although some are at very early stages. 11 institutions have received funding: Central Michigan University, Grand Valley State University, Lake Superior State University, Michigan State University, Michigan Technological University, Oakland University, University of Michigan—Ann Arbor, University of Michigan—Flint, Wayne State University, Western Michigan University, and the Van Andel Institute.

Advancing Public Higher Education Through Cooperation

HERC

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Higher Education Recruitment Consortium (HERC)

The Michigan Higher Education Recruitment Consortium (MI-HERC) is a group of 27 colleges and universities in Michigan who have joined together in a collaborative response to the many challenges of academic recruitment and retention. Through the sharing of information, resources, and technology, MI-HERC supports the efforts of its member institutions to recruit and retain outstanding faculty, administrators, and staff, with an emphasis on increasing diversity and finding effective ways to assist the spouses and partners of faculty and staff to secure area employment, an increasingly important factor in higher education recruitment and retention.

A central tool is the shared MI-HERC website (www.michiganherc.org), which features a searchable database of all open faculty and staff job positions at each member institution. The central location for job postings at 27 Michigan colleges and universities, the ability to narrow searches within a specified commutable distance, and the website's ability to accommodate dual-career searches make it particularly attractive to job seekers.

It remains the most comprehensive higher education employment website in Michigan. Overall traffic increased 20 percent in 2010 and the number of registered job seekers increased by 30 percent. The majority of registered job seekers hold advanced degrees, and their demographics significantly outpace national averages for gender and ethnicity. Job seekers can upload their resumes, allowing member institutions to proactively search for candidates with specific profiles.

Links to diversity resources, resources for dual career couples, and a wealth of information about Michigan's regions and rich local resources also distinguish the Michigan HERC website from other employment websites. Every effort is made to promote Michigan higher education as a desirable employment sector and the state as an attractive region in which to live, work, and raise a family.

Another core activity is bringing cutting edge recruitment and retention strategies to member institutions. Experts on specific topics are brought in for the biannual meetings; the focus for 2010 was the use of social media for higher education recruitment and for branding one's institution as an employer of choice. Webinar topics for 2010 included "Immigration Issues in Higher Education Hiring," "Veterans... The New Diversity Candidates," and "Addressing Work/Life Needs in Higher Education." Peer-to-peer sharing of best practices is fostered through the MI-HERC list serve and networking meetings.

As higher education institutions continue to face environments of shrinking budgets and recruitment resources, collaboration is more important than ever to stretch limited resources. MI-HERC has been able to leverage its numbers to negotiate preferred pricing for job advertisements with selected vendors, and has also partnered with National HERC and the other regional HERCs to obtain additional benefits for its members.

"MI-HERC is unmatched as a collaborative partnership to advance Michigan's higher education sector. It provides enhanced regional and national exposure for employment opportunities at member institutions, and brings cutting edge practices for building diversity, assisting dual career partners, and recruiting and retaining talent at our institutions," states MI-HERC Board Member Theodore H. Curry II, Associate Provost and Associate Vice President for Academic Human Resources at Michigan State University.

An exploratory phase to determine whether there was enough interest among Michigan institutions of higher education was funded by Michigan State University, the University of Michigan, and Wayne State University in 2007. With 24 institutions committed to join, the consortium was launched later that year. Currently there are 27 member institutions, with two new members joining in 2009. MI-HERC is funded by membership fees which are set on a sliding scale tied to student enrollment to ensure affordability for all Michigan colleges and universities.

The HERC model is being adopted in other regions of the country. Michigan was the sixth HERC to form and today there are 11 regional HERCs and a 12th in development.

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HERC

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MCAN

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Michigan College Access Network (MCAN)

Context and History

The Michigan College Access Network (MCAN) was established in 2009 in collaboration with the State of Michigan and a working group of key stakeholders representing K-12, higher education, youth serving nonprofit organizations, state government, philanthropy, and business.

MCAN's Purpose

In order to build and sustain a vibrant economy and strong communities based on a highly educated population, MCAN will work to ensure that everyone in Michigan has the opportunity to access and succeed in postsecondary education.

MCAN's mission is to dramatically increase the college participation and completion rate in Michigan, particularly among low-income and/or first-generation college students of all ages.

MCAN's goal is to increase the proportion of Michigan residents with high-quality degrees and credentials from 34 percent to 60 percent by the year 2025. This would put Michigan in line with President Obama's goal to regain the nation's prominence as the most well educated country in the world.

MCAN creates a network of college access professionals and organizations from a diverse array of sectors including K12 education, higher education institutions, government, business, non-profit organizations, and philanthropy that work toward the common goal of dramatically increasing the educational attainment of Michigan residents.

MCAN's Strategies

- Coordination—Coordinate Michigan's college access resources; identify areas of gap and duplication; share best practices amongst network members.
- Advocacy—Serve as Michigan's authority on college access and success issues through leadership; advocate for policies that expand college access and success for low-income and first-generation students.
- Professional Development—Train college access professionals, such as high school counselors and other community-based advisors, to be highly qualified and effective college advisors.
- Local College Access Network Development—Support the creation, expansion, and sustainability of high-quality community-based college access strategies through technical assistance and funding opportunities.

- Implement Statewide College Access Initiatives
 - o Michigan College Access Portal (MichiganCAP): One-stop-shop web-based portal for students to plan, apply, and pay for college --www.michigancap.org
 - o KnowHow2GOMichigan: Public awareness campaign encouraging young people to take the necessary steps to go to college – www.knowhow2gomichigan.org
- Strengthen Partner Initiatives
 - o Michigan Campus Compact College Positive Volunteerism
 - o King*Chavez*Parks Initiative/GEAR UP
 - o Michigan College Advising Corps
 - o Michigan College Goal Sunday
 - o Promise Zones
 - o The Imagine Fund
 - o Achieving the Dream: Community Colleges Count

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MCAN

In 2010 MCAN provided 31 communities with more than \$600,000 to support student access and success in college.

These grant opportunities are designed to help Michigan communities establish local college access networks. These networks will coordinate programs, services, and resources that lower the barriers preventing students, particularly low-income and first-generation students, from pursuing postsecondary educational opportunities. In each community, leaders in education, the non-profit sector, business, government, and philanthropy will work together to design a local strategy to foster a college-going culture and dramatically increase the college participation and completion rates.

To learn more about MCAN please visit their new web site at <http://www.micollegeaccess.org/>

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MSLDS

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Michigan Statewide Longitudinal Data System (MSLDS)

Michigan is focused on ensuring that all students receive services that ensure that they become college and career ready. Several public and private driving forces such as the No Child Left Behind Act of 2001, Lt. Governor Cherry's Commission on Higher Education and Economic Growth, the Data Quality Campaign, the State Higher Education Executive Officers, and the American Recovery and Reinvestment Act of 2009 push for comprehensive tracking of a student's academic progress over time to better understand how the inputs (funding, programs, policies, etc.) impact learning over time. In the data world, this requires gathering and linking education information longitudinally, beginning at pre-kindergarten and tracking progress through postsecondary education (P-20). The Center for Educational Performance and Information (CEPI) was tasked with creating and managing the Michigan Statewide Longitudinal Data System (MSLDS) for the P-20 data connections. CEPI's MSLDS work regarding postsecondary education is currently focused on five critical projects.

IHE-UIC Extension

The state-assigned student Unique Identification Code (UIC) is a distinctive identifier previously assigned to pre-kindergarten through twelfth grade (PK-12) public school students. With the longitudinal tracking of student-level education data, the UIC must now follow the student into his/her postsecondary institution. The Institution of Higher Education (IHE) Request for UIC Collection via the Michigan Student Database System (MSDS) enables authorized staff members at postsecondary institutions to match existing student UICs, or acquire new UICs for students who have not previously been identified in the MSDS. **The extension allows postsecondary institutions to report data that can be tracked longitudinally, linking the student's PK-12 and postsecondary education outcomes.**

E-Transcripts

The Michigan e-Transcript Initiative enables transcripts to be sent and received electronically by all public and private institutions in the state. The electronic transcript will carry the UIC from high schools to institutions of higher education. This will enable student educational data to be tracked from earliest learning opportunities through postsecondary education across disparate education datasets.

STARR

All public high schools and postsecondary institutions will upload transcript or student academic record data to the state via the Student Transcript and Academic Record Repository (STARR) Application. The data uploaded to the STARR will be pulled into the MSLDS to make the P-20 data connection. **Analysis of the STARR data will allow reporting of postsecondary outcomes for each PK-12 school district.**

National Student Clearinghouse (NSC) Data

To fully meet the requirements of a statewide longitudinal data system, it is necessary to acquire data on high school students who attend a postsecondary institution outside of their home state. Thus, it is necessary to access the NSC data to determine the status of Michigan high school graduates who continue their education either out of state or at a non-STARR participating in-State institution.

Michigan Education Data Portal (MEDP)

The MEDP will provide one location for consistent and accurate education data that has a common look and feel. The data can be accessed via queries with drill-down capabilities depending on user permissions. Postsecondary partners will be engaged in the process to determine the report outputs which will serve most beneficial to postsecondary stakeholders.

CEPI is currently engaging in requirements gathering sessions with various stakeholders to vet the uses and reporting needs of the data to be generated by the MSLDS. A P-20 Advisory Council has been created to address policy concerns, data collection, analysis, data exchange, and subsequent reporting and use of the data to ensure that all initiatives and agendas remain aligned with statewide goals, and that the system ultimately provides value to all levels of the education continuum in using data to help improve educational outcomes for students.

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MSLDS

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Advancing Public Higher Education Through Cooperation

MTN

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Michigan Transfer Network (MTN)

In 2004, the Lt. Governor's Commission on Higher Education and Economic Growth made 19 recommendations to Gov. Jennifer Granholm regarding how best to improve higher education in Michigan.

Responding to the Cherry Commission's recommendation that transfer between Michigan colleges and universities be facilitated through the establishment of a centralized transfer course equivalency system, the Michigan Association of Collegiate Registrars and Admissions Officers (MACRAO) partnered with Michigan State University to create and operate the web-based Michigan Transfer Network (MTN).

Students now have a convenient and accurate resource to utilize when considering transfer from one Michigan school to another or before taking a course near home during the summer.

MACRAO is providing the hardware and system software, and coordinates and controls institutional participation, while Michigan State University (MSU) has provided systems and programming to develop the MTN web-based system. MSU is also hosting the network and providing ongoing technical support.

As the Michigan Transfer Network reaches its third birthday, 65 public and private, two-year and four year institutions are participating in the project; 14 public four-year universities, 28 two year public community colleges, and 23 private institutions have loaded almost one million transfer course equivalencies into the network.

Future enhancements are being considered, and there is discussion around expanding the range of courses to include out-of-state schools. MACRAO is also considering the creation of a tool for auditing progress to degree at specific institutions.

The Michigan Transfer Network (MTN) can be accessed at:
<http://www.michigantransfernautwork.org>

Japan Center for Michigan Universities

In 1989, the Japan Center for Michigan Universities (JCMU) was created to commemorate the 20th anniversary of the sister-state relationship between the State of Michigan and Japan's Shiga Prefecture. Michigan's 15 universities and Shiga Prefecture collaborate to provide both Japanese and English language and cultural programming and professionally-focused programs in Japan. Shiga Prefecture provides the grounds and building in Hikone City for JCMU's living-learning center, which provides a rich learning environment for students and faculty. **JCMU is the only inter-institutional cooperative program among all 15 public universities.** The program had previously received funding from the legislature but is now completely self-sustaining.

For over 20 years, JCMU has provided a rich and transformative experience for thousands of Michigan public university students. The program is a strong example of how our universities are preparing students to operate effectively in a global community and economy, and how the consortium members collaborate to provide enriching opportunities to a diverse population of students through this partnership.

JCMU offers the following programs for American students:

- **Japanese Language and Culture Semester & Academic Year Program:** This is the largest program, enrolling around 100 students annually for a semester or year-long academic program and cultural experience. Students complete intensive Japanese language training which is complemented by substantive courses in Japanese society and culture. Students engage in a range of activities, from field trips and service opportunities to home stays with Japanese families.
- **Summer Intensive Japanese Language Program:** Students enrolled in this program complete the equivalent of a full year of Japanese language study in the span of nine weeks. Language study in this program is complemented by cultural activities, field trips and home stay opportunities.
- **Summer Internship Program:** This program is designed for upper level language students who wish to gain substantive professional experiences in Japan. The program combines language instruction and full-time internships in the Kansai area.
- **May Short Program:** Each year, JCMU receives faculty proposals for short courses to be offered at the center in Hikone. These programs are shorter and do not require extensive language training enabling students and faculty from diverse fields of study to gain international experience.

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JAPAN CENTER FOR MICHIGAN UNIVERSITIES

Central Michigan
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**JAPAN CENTER FOR
MICHIGAN UNIVERSITIES**

- **Professional-focused summer programs:**
 - **Environmental Sciences in Japan:** This program is intended for environmental and natural science students. The academic experience includes guest lectures from leading Japanese and American researchers in the field combined with Japanese language training.
 - **Comparative Health Care in Japan:** This program is designed for health care, pre-medicine, and nursing students. This unique program combines Japanese language training, a course studying the Japanese health system and a professional internship.
 - **Hospitality Business and Tourism in Japan:** This program provides an opportunity for hospitality business and tourism students and professionals to add an international dimension to their careers. This program brings together a Japanese language course, and a keystone course exploring topics of Japanese hospitality business and tourism.

Detroit Compact & Wade McCree Scholars Programs

For over 20 years, the Presidents Council and the public universities have worked with the Detroit Public Schools to guarantee that any college qualified student in Detroit Public Schools (DPS) would be able to attend college tuition free. The programs are designed to motivate high school academic success and achievement and as such, students are required to earn a 3.0 minimum GPA and score a 21 or better composite score on the ACT. In addition, they must maintain 95 percent attendance in high school and remain in good behavioral standing.

The two programs operate in slightly different ways but share the same minimum requirements and tuition guarantee. For the Wade McCree Incentive Scholarship Program, students are nominated and identified for participation in the program in the ninth grade by the school district. Most McCree Scholars attend one of the three exam schools – Renaissance, Cass Tech, and Martin Luther King. Selected students are assigned to a specific participating university with the intent that they will attend that institution if they remain eligible and are successfully admitted. The program is named after Judge Wade McCree, former Solicitor General for the state of Michigan, who was a native Detroiter committed to higher education.

The Detroit Compact is similar in that students sign a pledge in the ninth grade and if they do what is required of them, the universities cover the full cost of tuition and fees. The Detroit Compact is specifically intended to provide the guarantee for students attending neighborhood schools (all high schools outside of the three exam schools). The Detroit Regional Chamber sponsors the program and it contributes \$500 per student per year for every Detroit Compact student attending one of the participating public universities.

Combined, these institutionally sponsored programs alleviate the cost of tuition and fees for nearly all qualified Detroit Public School students. In any given year, more than 250 DPS students enter a participating institution on one of these scholarships and an estimated 800 Compact or McCree scholars are enrolled in these universities at any given time.

In 2010 an evaluation was conducted on the Detroit Compact program with the goal of improving the processes and effectiveness for the students. Interviews, meetings and focus groups were held in the spring and summer with high school students, DPS staff, and university coordinators, and other key stakeholders. Thus far the findings have persuaded the Detroit Regional Chamber Foundation to provide \$100,000 in helping high school students prepare for college including college tours, ACT prep and marketing of the program. As for the Wade McCree Incentive Scholarship Program, an advisory committee was formed to work with DPS on ensuring the program is successful.

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SCHOLARS PROGRAMS

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PROGRAMS AND AWARDS

Central Michigan
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Intern in Michigan

Intern In Michigan is a collaborative initiative that strives to offset the staggering "brain drain" that Michigan faces. The collective efforts of the Detroit Regional Chamber, Prima Civitas Foundation, Traverse City Chamber of Commerce, and West Michigan Strategic Alliance are focused on emphasizing the link between internships and Michigan's economic prosperity and sustainability. These partners are strategically located to facilitate statewide education and outreach events. The team has conducted monthly webinars that are aimed at removing the barriers to creating internship programs; as well as providing a forum to exchange "best practices" of already established internship programs.

Intern in Michigan utilizes a centralized web based system that facilitates the posting of internship opportunities for employers, as well as the identification of these opportunities for internship seekers. **As of mid-November, over 16,000 students and over 1,300 employers have registered in the current system.** In early 2011, the second phase of this software is expected to be released and ready to use. The newer version will feature a stronger matching system that will help to place the right interns into the right internship.

Arts in the House Program

In 2007, the Presidents Council began partnering with the House Business offices to recognize student artwork and to display their work in the office buildings of the legislature. The student paintings, photographs and wall mounted sculptures are displayed for public viewing throughout the House office buildings. Artwork is identified by each of the public universities and one to two pieces from each institution are selected for display. Chosen works remain in the public spaces of the building for a year (September through August) and a recognition ceremony is held to honor the artists.

Students enjoy participating in the program because it provides formal recognition and external validation for the quality of their work, and the exposure from a public display and the office buildings benefit from a consistent and dynamic collection of artwork that contributes to the aesthetic appeal of the buildings.

Professor of the Year Award

A central part of all 15 Michigan public universities' missions is the provision of high quality undergraduate education. The Michigan Distinguished Professor of the Year recognition program recognizes outstanding faculty contributions to undergraduate instruction.

2010 was the fourth year for the Distinguished Professor of the Year awards. Each institution nominates one faculty member and is asked to prepare a package of materials, including a letter of endorsement from the Provost, a statement of teaching philosophy, and a narrative that highlights the contributions of the nominee to undergraduate education at their institution and beyond. The selection criterion includes the following:

Student Learning

Interactions with students, academic advising, undergraduate research opportunities, scholarship on teaching and learning, and experiential learning are at the very heart of higher education and its commitment to student learning. The social exchange between professor and student is where learning occurs and individual transformation is possible.

Interactions with Undergraduates

Successful students make time to meet with professors. Engaged instructors make themselves open and available to all students with the hope that all can be successful. How has the professor made time to engage and interact with students?

Experiential Learning

Students learn in a variety of ways and increasingly, students report a desire and a need to find ways to connect the material to the world within which they operate. How has the professor explored ways to infuse experience into their curricula?

Academic Advising

Advising students through the institution as they find purpose and direction in their academic careers is an essential role professors play. How has the professor utilized time with students to inform the trajectory of their academic lives?

Undergraduate Research Opportunities

A distinctive advantage of undergraduate education at a university is the accessibility of research and the generation of new knowledge. How has the professor made research opportunities available to a potential cohort of new graduate students?

Scholarship on Teaching and Learning

Scholarship is consistently valued in the context of promotion and tenure. Less commonly considered are contributions to the

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PROGRAMS AND AWARDS

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PROGRAMS AND AWARDS

advancement and innovation of teaching. How has the professor found and infused innovative strategies into their teaching and made that available to a broader professional community?

Award Distribution and Recognition

The Presidents Council hosts an awards ceremony in May to recognize all nominated faculty and announce the three Michigan Distinguished Professors of the Year. All nominees are recognized at the banquet and the three winners receive a commemorative plaque and \$3,000.

It's MILife

Your Child, a coalition of Michigan-based education stakeholders including the Presidents Council State Universities of Michigan, launched in February 2010 a new social networking site for teens: www.ItsMILife.com. Designed to help foster a culture of education in our state, this initiative is a direct response to the 2005 Your Child survey results in which teens in Southeast Michigan asked for additional online resources.

This unique, community-based site provides a non-intimidating forum where teens can talk to other teens and ask questions about the future. **With all content driven by the teens themselves, the site promotes crucial first-steps in the all-important dialogue about higher education.**

The site will also provide one-on-one career advice from a wide spectrum of volunteer professionals; links to college application websites; and of course – some cool prizes.

The goal is to help students – as early as possible – begin planning for the future, as well as to equate education with opportunity.

A follow-up Your Child survey was conducted, building on the 2005 survey. The survey, which was administered by telephone in Southeast Michigan, asked parents questions about the value they put on education. For instance, in 2005, barely half – 54 percent – of the parents interviewed agreed with the statement that “everybody should get a college education.” But in the 2010 survey, 76 percent of those interviewed said everyone should attend college.

Similarly, the public now seems more aware of the value of higher education. When asked if they agreed with the statement “people who have a college education are usually better off than people who don’t,” **78 percent agreed in 2010 – up from 63 percent in 2005.**

Regional Cooperations

Public institutions also develop and partner with organizations and consortiums within their particular region to ensure cost savings. Some of these efforts including, but are not limited to:

Michigan Association of College and University Purchasing Agents (MACUPA)

Representatives from each of the public universities meet on a regular basis to review current contracts, competitive bid opportunities, and business improvement measures. One example of a successful agreement, which allowed for cost savings, has been with the Xerox Corporation for the purchase/lease of copiers. MACUPA now has the highest level of discount extended by Xerox nation-wide.

Michigan Life Science Purchasing Consortium

Formed in 2001, the member institutions are Michigan State, University of Michigan, Van Andel Institute, Wayne State University, and Western Michigan University. The mission of the Michigan Life Science Purchasing Consortium is to provide professional procurement services in support of the institutional mission of teaching, research, and public service. In 2007, there was a cost savings of \$3.1 million among the five institutions.

Hospital Purchasing Service

Started by the Southwestern Michigan District Hospital Council. The Council serves as a coordinating office for the member institutions' purchasing departments to negotiate group contracts.

Michigan Communication and Technology Administrators

Geared towards long distance phone college and telecommunication equipment and services. The group works to "maintain their cost saving programs, assist members with concerns and cost reductions, and find additional opportunities that members can use to save time and money."

Educational and Institutional Cooperative (E&I)

A cooperative that is member owned (members include Michigan public universities) and provides discounted pricing as well as rebates based on spending volume.

U.S. Communities Government Purchasing Alliance (U.S. Communities)

Provides a national purchasing forum for local and state government agencies, school districts (K-12), higher education and non-profits nationwide by pooling the purchasing power of over 87,000 public agencies.

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REGIONAL COOPERATIONS

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REGIONAL COOPERATIONS

Proposed Efficiency Campus Consortium Agreement

Allow individuals to earn a four-year degree without leaving Allegan County. Ferris State University, Western Michigan University, Lake Michigan College, and the Allegan Area Education Agency are teaming up to develop an "efficiency campus" consortium agreement using existing facilities and personnel to create a seamless K-16 education in Allegan county where there are no colleges. Students pay tuition that is estimated to be 30 percent below normal rates due to the efficiencies involved.

The Committee on Institutional Collaboration (CIC)

A partnership between the Big Ten Institutions and the University of Chicago that works to advance academic excellence through the promoting and coordinating of activities and the sharing of resources. Its programs and activities extend to all aspects of university activity except intercollegiate athletics. These endeavors are organized to augment and complement institutional programs without supplanting them or reducing their individual importance.

Michigan Library Consortium

A nonprofit, membership organization that provides libraries with a convenient, single point of contact for training, group purchasing, and technical support for electronic resources. Libraries take advantage of the MLC services and pricing in order to continue to offer library users the ability to access information using the latest technology.

High Performance Computing Center

Two Michigan universities have pooled their funds to add a new cluster to a high performance computing center located at one of the institutions. Michigan State University's Institute for Cyber Enabled Research invested \$750,000 and Central Michigan University in Mt. Pleasant about \$130,000 to build a cluster that adds 1,500 processor cores and 4 TB of RAM to the High Performance Computing Center's compute capacity. The capacity will be used by researchers at both universities, as well as others in the state. Recent projects at the center include research in the areas of chemistry, biology, aerospace, computing, and climate modeling.

Section III: University Cost Efficiencies

This section is new for 2010 and includes a summary of the public four-year institutions' cost containment efforts and strategies.

The universities have implemented cost efficiency activities while maintaining quality academic programs and excellent educational experiences for our students. Some of the prevalent cost efficiency activities across the public four-year institutions include:

Academic

- Phasing out academic programs
- Consolidating or reorganizing departments and colleges

Energy

- Purchasing natural gas on the open market
- Replacing outdated energy systems
- Implementing conservation measures and recycling programs
- Using facilities more efficiently
- Shutting down campuses during the winter holidays
- Adopting central energy management systems
- Investing in LEED building initiatives
- Installing high efficiency interior & exterior lighting
- Installing "low flow" plumbing fixtures

Human Resources

- Eliminating positions and dispersing duties to others
- Keeping open positions unfilled
- Freezing pay or providing only modest pay increases for employees
- Reducing overtime pay
- Increasing employee contributions for health benefits
- Introducing new health plans
- Implementing generic prescription drug programs
- Restructuring eligibility rules for retirement plans
- Implementing new travel policies and systems

Outsourcing

- Outsourcing various operations—custodial, dining services, credit card payments, and transportation

Technology

- Creating or adopting new software systems for students and staff—human resource processes, student application and enrollment processes, student billings, student academic support, course management, financing reporting, and requisitioning.
- Implementing new, modified, or consolidation of information technology processes—business warehouse, help desk, instructional systems, and backup systems

In addition, some of the universities are collaborating regionally on purchasing practices for office supplies, copier repairs and supplies, and other miscellaneous computer equipment and supplies. And a few universities are also working with public K-12 districts on these collaborative efforts.

In the next several pages, highlights from each university's cost containment and collaborative efforts and strategies are provided.

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Central Michigan University

Central Michigan University (CMU) continues to experience record high enrollments and is now the fourth largest public university in the state. Cost containment efforts are a continual priority for CMU in order to meet the demands of this increased student enrollment with decreased state funding, and increased annual operational costs. CMU has incurred state reductions of approximately 11 percent since 2001, yet has increased its in-state undergraduate fiscal year equivalent students by 11.4 percent.

CMU has been able to accommodate its growth and still demonstrate outstanding accomplishments through efficient operations with the implementation of many cost containment initiatives over the last several years:

Competitive Bidding and Purchasing Cooperatives

CMU is an active member of the State of Michigan/Higher Education Purchasing Consortium, the Midwestern Higher Education Compact (MHEC), Hospital Purchasing Services, E & I Cooperative, MERIT, MICTA, MUSIC and MUCH. These cooperatives help to reduce costs for medical supplies, furnishings, communications and internet services, insurances, and university health plans. CMU also shares its contracts with other state universities and public school systems to combine purchasing power in contracting for offices supplies, copy machine repairs and supplies, and other miscellaneous computer equipment and supplies. Additionally, CMU purchases road salt and policy vehicles from State of Michigan contracts, as well as, use their services to presort outgoing mail.

Administrative Efficiencies

CMU's administrative efficiencies lead to new and modified processes, which generate cost savings and, in some cases, additional revenue. Several electronic processes have been implemented over the years to save administrative time, paper, and mailing costs. Some of these processes implemented include: an automated time keeping system, employee benefit election transactions and performance management, an employee on-line application process, student application and enrollment process, student billings, pay check distribution, and direct deposit.

CMU has implemented several information technology processes over the years to provide enhanced services, reduce costs, and expand the overall technology infrastructure on and off campus. CMU's campus IT infrastructure is wireless and we recently implemented a business warehouse to provide expanded automated reporting capabilities, implemented additional help desk software and tools to assist customers via chat and remote support, expanded and upgraded several instructional information technology systems, including Blackboard and 24 mediated

classrooms. CMU also implemented a new student printing solution to promote thoughtful and responsible printing.

Energy Conservation and Sustainability

Energy conservation and sustainability are important cost containment factors for CMU. CMU has initiated many energy conservation projects dating back to the early 80s, when it was recognized by the State for the installation of the wood chip boiler. The university continues to lower our carbon foot print and are proud to be one of the lowest per student levels in the state. CMU has the capability of using alternative fuel sources where the market demands it. In 2002, CMU restarted its wood chip boiler to ease the costs of natural gas. Estimated base energy cost savings ranged from \$500,000 to \$1 million per year. In addition, the university signed an agreement for an alternative electric supply that is expected to save the university up to an additional \$500,000 a year depending on the market conditions. CMU refurbished a steam absorption chiller and recently started a gas turbine back up to produce electricity. The savings from those two measures is approximately \$1 million per year.

CMU has installed power saving software on more than 4000 lab and classroom computers and is moving that capability out to campus departments. In addition, CMU is working on a project that works with the on-campus Energy Management System to start and stop the various mechanical equipment across campus. Other energy saving projects include installing low flow faucet aerators and low flow flush valves in various high use buildings, installing self-contained radiator control valves in the eight residence halls, reducing outside air by using CO2 sensors in an academic building, installing wireless pneumatic thermostats for energy reduction in the Central Energy Facility, reducing energy by using variable volume fume hoods, installing 18' diameter fans in the Indoor Athletic Complex to reduce energy, implementing night setbacks and decommissioning chemistry hoods in a research facility, installing lighting occupancy sensors in labs, hallways and auditoriums in three main academic buildings, and applying for energy optimization rebates. CMU has received nearly \$50,000 in rebates and is investing these rebates in additional energy conservation projects.

CMU currently follows LEED criteria whenever possible with new construction and major renovations to reduce long-term maintenance costs. Direct savings and cost avoidance from implementing these measures exceed millions of dollars per year. Our energy saving measures have allowed us to maintain our energy budget at the same level for the last three fiscal years.

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Personnel

Personnel costs make up approximately two thirds of CMU's budget and therefore, are a critical operational expenditure for CMU to contain. Efforts implemented to reduce and contain costs include implementing self-funded medical, prescription and dental plans, negotiating salary freezes for several employee groups, changing types and reducing the number of benefit plans offered to faculty and staff, and increasing employee benefit contribution rates. Annually, CMU conducts an RFP for competitive bids for benefit coverage and changes carriers when advantageous.

CMU had 94 employees participate in the Michigan Public Schools Employees Retirement System (MPSERS) 2010 retirement incentive. This incentive was designed to reduce MSPERS retirement contributions for active employees and CMU is utilizing the opportunity to reorganize and reduce staffing resulting from the vacancies where possible.

CMU continues to look for opportunities to decrease cost of benefits through additional strategic plan designs, benefit program reductions or modifications, improvements in purchasing contracts and/or changing carriers where advantageous and continued strong emphasis on wellness. CMU will also continue to consider strategic approaches to staffing reductions and/or wage stabilization. Efforts to date in this area exceed \$3 million.

Outsourcing

Outsourcing continues to be reviewed for possibilities where outsourcing operations provide cost savings. CMU has outsourced its motor pool operation, and a portion of its custodial and dining services. Base savings from these initiatives amounted to more than \$1 million per year. In addition, this past fall CMU outsourced the migration of CMU's ERP data and management to a company that specializes in this particular ERP environment. This estimated cost savings for the related hardware, storage, and management services is \$350,000.

CMU strives to provide access to a quality education. With enrollment increasing and funding limited or decreasing, the task is becoming more difficult. The university continues to review and reduce programs/services that are not mission-critical while implementing cost containment measures where applicable.

Eastern Michigan University

Personnel

- Since 2004, EMU has reduced its total staffing levels by 140 personnel, generating a salary and benefits savings of approximately \$12.8 million annually.
- Instituted a 1.5 year payfreeze for the 100 highest compensated staff members. This accounts for about 40 percent of the University's administrative/professional personnel. These actions generated a cost savings of approximately \$500,000 in salary and benefits annually. The remaining administrative/professional staff members had their merit pay increases deferred by six months on two separate occasions over the same time frame, generating a one-time savings of \$300,000.
- Adopted a guideline that requires vacant, budgeted positions to be held open for a minimum of 90 days. Additionally, a voluntary furlough program was implemented in July 2009, generating a small savings on salaries and benefits.
- Renewed contracts with bargaining units over the past two years reflecting in modest pay increases (1 percent to 2 percent annually). Additionally, Eastern implemented a compensation program linking pay increases with the University's revenue growth and ability to pay. This "Shared Rewards" program was reflected in the October 2010 contract settlement with Eastern's second largest bargaining unit, as well as in the 2011 compensation plan for non-bargained-for employees.

Health-Care

- Effective January 1, 2011, all non-bargained for and a large portion of the bargained for employees (approximately 75% of all personnel) will be paying a substantially greater share of their health care costs through higher premiums, deductibles, co-pays and co-insurance. The current ratio of University to employee share of the total cost of health care is greater than 90 to 10. After January 1, 2011, the ratio is expected to be less than 80 to 20, with savings to Eastern in excess of \$2 million annually.
- Starting January 1, 2011, the high-cost Traditional Health Care Plan for the faculty will be eliminated.
- Revision of prescription drug plans to encourage greater use of generics.

Non-Personnel

- The University has kept departmental budgets relatively flat over the last couple of years except for highly-selective strategic initiatives related to student success, academic programming, and future enrollment growth. A 3 percent increase in departmental controllable expenses (SS&M, travel, equipment, etc.) is equivalent to approximately \$1.3 million annually which the University has largely contained.

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Energy Cost Reductions

- Reduced its annual utility costs by approximately \$2 million or 20 percent over the last couple of years. These savings reflect both lower natural gas prices purchased and a number of energy savings projects and initiatives that have reduced energy consumption.
- Partnered with private companies, adopted "energy savings days", utilized alternate fuel vehicles, joined the State of Michigan Energy Consortium, and adopted a central energy management computer system all in an effort to reduce energy costs at Eastern.
- Committed to energy conservation and despite reductions in overall staffing levels, has invested in a new position, an Energy Conservation and Sustainability Coordinator, whose sole responsibility is to continue to find cost effective ways in regards to energy consumption throughout the University.
- Other cost savings and cost avoidance actions and process improvements include: virtual servers, Voice-Over Internet Protocol (VOIP), new travel and payment card policy improvements, electronic requisitioning, and other web-based/on-line services.

Long-Term Goals of Additional General Fund Reductions

None of the above mentioned cost containment measures are one time savings initiatives. These particular initiative savings will continue in perpetuity.

The following are in addition to the above mentioned initiatives:

- EMU has purchased nearly all of its natural gas for FY11 and approximately 65 percent of its FY12 purchase. These purchases have been made at historically low natural gas prices. The University is also analyzing whether it is prudent to make purchases for FY13 and/or FY14 at these relatively low price points.
- In addition to the employees paying a greater share of the University's health care cost starting in January 2011, each covered employee's premium will increase by 10 percent each year over the next 2-3 years, depending on the particular employment group's collective bargaining agreement.
- Committed to analyzing all aspects of the impact on increasing health care costs. This involves doing various audits and verifications that have the potential to save the University over a \$1 million in health care expenses.

Ferris State University

A key illustration of FSU cost containment, from a macro level, is demonstrated when looking at the education cost of Ferris State University as a combination of the support per student from the state and the amount the student pays in tuition. In 2001 that amount was \$11,641; today that cost is \$14,328. This an annual increase of just 2.6 percent, which is less than inflation during this period and far less than the average of higher education institutions across the country.

Ferris State University is reducing its budget and cutting costs and trimming the size of workforce, the bulk which has been done through attrition to this point. In February 2010, the university opened an Early Retirement Incentive Program for staff and administrators looking to further reduce the size of our workforce. Over the last year to a year and a half, 90 full and part time positions have been eliminated.

There are many other examples that could be provided on how FSU continually works to reduce our costs. During President Eisler's more than seven years of administration, Ferris has cut \$20 million from its budget. One of the important contextual statements in this area is what FSU has done to student financial assistance during these times of great budgetary restraint. The university has and will continue to support its students. In the 2009-10 state budget ongoing funding for Ferris State University was reduced by \$1.6 million and partially replaced by \$1.39 million in economic stimulus funding. The university cut its budget by the larger amount and used the stimulus funds to replace the funding students did not receive from Promise Grants and Michigan Competitive Scholarships. Every single dollar of stimulus funds was spent on our students. The sum total of this is that while the state cut the FSU budget by \$1.6 million, it placed an additional \$2.2 million into student support. This is just a further testament to significant commitments to opportunity and access.

Each year FSU does an internal efficiencies document to keep track of accomplishments and plans to increase effectiveness in the use of resources. The Efficiencies Report for 2010 for the Administration and Finance area was 15 pages of documentation of these kinds of measures taken. A few of the examples in that report include the following:

- For cost effective purposes FSU closed the MASCAR and Center Ice dining units. This was possible by investing in a third facility to modernize it to provide cost effective, attractive and high quality dining alternatives for our students.

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- Instituted a convenience fee to allow students and their families to make a more informed decision about method of payments to the University. This is saving the University between \$400,000-500,000 a year in lower credit card fees.

Long Term Goals of Achieving Additional General Fund Reductions

While the institution does use an annual budget process, it does multi-year planning for a number of issues including financial resources, campus master planning, etc. The general philosophical approach with budgetary management has been to keep costs as low as possible which translates to constrained tuition increases. The plan for budget reductions is to be proactive and not wait for a deficit situation. The university also has used a multi-phase approach with each budget reduction being smaller in size so that it is more manageable and not so overwhelming for our faculty and staff in general. Additionally the approach to budget reductions is to let the management over the various areas identify how best to achieve effective solutions, rather than the classic "one size fits all" policy driven expenditure constraints.

Through the Capital Outlay process the University is completing a new facility that will house its optometry program. This facility will open in January 2011. FSU will tear down the current home of the Michigan College of Optometry eliminating deferred maintenance and operating costs associated with the old space.

Additional strategies for budget reductions are being identified. A couple of examples on the horizon include workflow processes to automate selected manual processes, and reengineering the process for generating contracts for goods and services to streamline this for user departments.

Collaborative Purchasing Efforts

While not directly a "collaborative purchasing" effort one of the cost effective delivery methodologies that FSU uses in delivering instruction is through a very active partnership with community colleges across the State of Michigan. FSU currently has 17 such sites, most accomplished through Consortium Agreements with community colleges. FSU is committed to providing Ferris education wherever and whenever it is needed throughout Michigan.

Other examples of very important cost delivery strategies include partnering with hospitals in Howell, Holland, Kalamazoo and Midland to provide RN/BSN nursing education. These are very important strategies by taking nursing education to the marketplace rather than requiring all of these students to come to Big Rapids.

Ferris State University has been in an office supply purchasing consortium with Central Michigan University and Saginaw Valley State University with a recent expiration of that contract. The university approached the market independently to see if it could improve on pricing and was pleased to achieve a \$635,000 savings over the five-year life of a new contract by purchasing through this competitive bid process. FSU was then able to leverage that price and make it available to Saginaw Valley State University. So that university is also achieving additional savings over-and-above the Ferris savings noted earlier.

Ferris State University is one of a half dozen public universities in Michigan to partner with the State of Michigan on its natural gas purchasing contract. This has been a cost effective way for the University to purchase gas and has resulted in FSU savings of \$2.8 million for the period November 2004 – April 2010.

Ferris also participates in the Electric Choice Program through its membership with Wolverine Power and Marketing Cooperative. This collective purchasing effort has resulted in the University saving more than \$1 million over the last five years.

The University is also a very active partner at the local level on a number of fronts including some things in the Public Safety arena. An example of this includes administering the Central West Michigan Law Enforcement Training Consortium to train 13 area agencies in all matters of criminal justice. This kind of collaborative training is done multiple times throughout the year as a cost effective strategy to provide critical training for multiple law enforcement agencies. Another example of cost effective partnering at the local level includes the University's elimination of its Emergency Dispatch area to join with the other area agencies two county Central Dispatch.

Grand Valley State University

Compensation

Salaries of faculty and staff at GVSU already lag behind the average salaries of the other public universities. In spite of this fact, the University implemented a pay freeze for 2010-11, which projected annual savings of \$4.3 million. Additionally, the University has shifted a larger portion of medical coverage expenses to employees. In 2005, the University paid 97 percent of the cost. In 2011, the University will pay 80 percent of the cost. This shift saves the University over \$5 million per year.

Utilities

Utility consumption on a per square foot basis is declining at the University due to investments in LEED building construction and

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energy conservation projects. Investment of one-time dollars over the past five years into energy conservation projects with a four-year or less payback has yielded annual savings of over \$1.1 million. These are real efficiencies that allowed us to reallocate those budget savings to other areas of the budget.

Debt

By effective management of refinancing and restructuring of debt, the University has realized savings of over \$3 million since 2008-09.

Transportation

Many University expenditures save students money. For example, the University contracts with The Rapid to provide bus transportation between our Allendale and Grand Rapids campuses and also around the vicinity of the Allendale campus. While the bus costs the University more than \$2.5 million annually, the savings to students is at least five times that much in fuel cost savings and vehicle wear and tear. The expenditure is a reflection of the University's commitment to sustainability.

Efficiencies have been put in place at virtually every department of the University. It has been our history and, indeed, our current practice to ask departments to manage their budgets by real-locating existing resources rather than expecting new funding as new expenses or commitments arise. Increased budgets are the last resort answer to any budget problem. Unavoidable rate increases in things like postage have generally been met with budget reallocations rather than a budget growth. This culture at the University has been critical to the reallocations and budget cuts that amount to millions of dollars.

In the past decade, Grand Valley has increased the number of degrees awarded annually by 100 percent, increased enrollment by 50 percent and reduced the cost of each degree by 15 percent (adjusted for inflation). Grand Valley accomplished these goals despite its historic position as the university receiving the least amount of state funding per student.

Lake Superior State University

Lake Superior State University has been in a budget cutting, cost containment mode for the last decade. Although budget cuts have been difficult at every campus, they have been especially difficult at LSSU. So many reductions have taken place in the last decade, it has become increasingly difficult to cut more so LSSU is looking at ways to grow the university and reprioritize existing resources while continuing to make cuts that do not have a negative impact on the educational experience of students. There are, however, some specific cost containment initiatives that were achieved in the last year.

- Closed the University Print Shop. Those services are now outsourced at a savings to the University.
- Eliminated the Director of Physical Plant position. Those duties were dispersed to existing managers with oversight by a Vice President at considerable savings.
- Have not filled some open positions.
- Ratification of the faculty association agreement with no salary increases for three years.
- No increases in salary have been budgeted for administrative staff.
- Continuing are the support staff contract negotiations with no significant increases anticipated.
- Changes in health benefits and retirement contributions were made which will result in ongoing savings.
- Pre-buying 75-80 percent of our natural gas allowing us to buy when prices are good.
- Replaced a 10 ton water cooled AC unit with an air cooled unit at a yearly savings of conservatively \$50,000.
- Replaced another 10 ton AC unit with a more efficient 2 ton AC unit.
- Changed our standard from a 32 watt to a 28 watt bulb for our four foot T8 light bulbs (this does not sound like much but it adds up).
- Continually monitor and update our energy management system to conserve energy.
- Shut down days planned during the holidays to save energy.

LSSU uses technology to the extent possible with a limited budget. Last year the university implemented TouchNet, which greatly enhanced the student billing and payment process as well as resulted in cost savings by the elimination of one support position. The university also realized significant savings in mailing costs and was able to take advantage of better bank card processing rates. LSSU continues to make progress in using technology to streamline processes and communicate more effectively with current and prospective students as well as the campus community.

In the next year, the university expects to more fully automate degree audits and other Registrar Office activities. Due to these efforts, a retiring staff member will not be replaced.

Purchasing practices ensure competitive bids. LSSU participates in consortium purchasing efforts as available such as our Office Depot consortium with Central Michigan University. It also purchases through E&I (Educational & Institutional Cooperative

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Purchasing), REMC (Regional Education Media Center) through our local Intermediate School District, and takes advantage of DELL educational discounts.

LSSU is hopeful that continuing discussions will take place with other universities who are interested in coming together to achieve the best cash rebate available on purchasing card purchases. Recently, administrators from LSSU and Northern Michigan University met to discuss possible information technology collaborations which have the potential for significant savings for one or both universities.

Michigan State University

MSU uses a rolling ten year budget model and incorporates a multi-year budget framework to assist in planning. As a result of focused planning, MSU commits a greater proportion of its resources to line functions such as instruction, research, and public service than most Big Ten peers. Brief descriptions of significant efforts in four principal cost containment areas are detailed below.

Policy and Budget Measures

- Continued policy of internal reallocation of funds to support new initiatives without increasing budget by reallocating approximately \$42 million over the past ten years.
- Made cumulative base budget reductions of approximately \$123 million over the past ten years, including \$29.4 million for FY11.

Healthcare and Other Benefits

- Negotiated the elimination of post retirement health care for all individuals hired after July 1, 2010. This will have a future impact of reducing our Other Post-Employment Benefits liability.
- Made several changes to the medical plan (increased co-pays, added a deductible, changed vendor) which is projected to reduce health care costs by approximately \$8 million.
- Implemented a Generic Prescribing Incentive program March 1, 2010. This has reduced prescription drug costs by approximately \$1.4 million in the first four months and has a projected annual cost reduction of over \$4 million.
- Imposed a 5 percent cap on annual funded health care cost increases.
- Continued promotion of flexible spending accounts by employees for out-of-pocket health care and dependent care costs has increased utilization with savings of approximately \$550,000 annually in FICA costs.

Utilities and Environment

- Continued policy of energy conservation, using central building energy management system and enhanced con-

struction standards in building and renovation; in FY10 avoided an estimated \$24 million in fuel costs. Implemented new "late" building start-up and "early" shutdown times to reduce building equipment runtimes.

- MSU has the lowest electrical consumption per square foot among our peers in the Big Ten.
- The University set goals to reduce energy use by 15 percent by 2015 and landfill by 30 percent by 2015. Currently there are 100 buildings online reporting real time electrical consumption on campus at meters.msu.edu. Through the campus GIS system web based reporting on environmental goals has been implemented and monthly reports are sent to Environmental Stewards on building progress.
- Physical Plant has initiated a five-year plan to retro-commission over one hundred major buildings on campus with a focus on energy conservation. Repairs initiated as a result of the commissioning process have generated \$329,000 in energy savings for seven buildings. Other building control modifications identified as energy conservation measures have a projected energy cost avoidance of \$310,000 for seven buildings.
- The current status of natural gas pricing is such that switching from coal to natural gas can be more economical as a fuel compared to historical gas prices for the T.B. Simon Power Plant boilers. Estimated avoided fuel cost is from \$750,000 to \$1 million, along with avoiding approximately 20,000 tons of CO2 emission.
- Engineering and Architectural Services is preparing in-house staff as construction managers. Use of MSU employees rather than a consultant to utilize this construction delivery tool is a pilot initiative to decrease the cost of construction management.
- Preliminary analysis indicates over \$1.7 million has been saved on the three pilot projects.

Operations and Procurement

- Maintenance Services' utilization of a dual appointment Purchasing Agent has allowed for a more efficient purchasing/bidding system for the Physical Plant Division. This partnership has resulted in a savings of approximately \$475,000 in the first year.
- MSU entered into several carrier contracts for inbound and outbound shipments that are administered by University Stores. By using these contracts, MSU avoided \$1.1 million in shipping costs during FY10.
- The Purchasing Department uses competitive bidding, contract administration, negotiation and consortium purchasing to obtain cost savings for the university. During FY10, Purchasing realized \$8 million in cost savings for campus departments.
- The Purchasing Department conducted a reverse auction for compliance coal in July 2010. The auction resulted in a savings of \$344,000 for MSU in compliance coal costs.

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Michigan Technological University

Michigan Tech has worked diligently toward cost containment since the early 2000s. At that time, its State appropriation decreased by \$8,000,000 (-15 percent from FY02-FY04). This resulted in a number of one time fixes including layoffs, furloughs and delayed hiring. Faculty numbers fell by 10 percent to 295. MTU continues cost controls and in 2008 began a formal process of continuous improvement using Lean principles. This has resulted in the savings and reallocation of dollars to its highest priority, serving students. These cost containment measures are described below.

MTU's current state appropriation is still over \$47 million (13 percent) less than the FY02 level. Despite that, during the last eight years it has grown enrollment by 6 percent, providing students with an increased level of services including financial aid (\$25 million, three times that of 2002), through cost containment in many areas. In addition, reviewing the university's MPSERS past service liability payment to the State during that same time, it returned more than \$22 million to the State.

The following is an outline of MTU cost containment initiatives and associated values within the last five years. Cost containment to reduce recurring expenditures include:

Energy and Utilities Cost Containment: \$934,000 Annual, \$3,553,800 since 2005

- Installed high efficiency interior and exterior lighting in high use areas, installed occupancy sensors in classrooms and laboratories,
- Upgraded boiler controls on central campus heat system
- Upgraded HVAC controls on several buildings
- Installed biodiesel generators to qualify for a lower utility rate (interruptible power rate)
- Installed "low flow" plumbing fixtures in high use areas
- Use hockey arena ice plant waste heat to heat pool water

Benefits Cost Containments: \$1.8 million since 2005

- Dependent health care audit of all employees
- Restructure health care for athletes
- Restructure retirement benefits
- Introduction of new health plans with Health Savings Accounts
- Co-pays on PPO health accounts adjusted to 20 percent
- Co-pays on Dental and Vision adjusted to 20 percent

Positions and Staffing Cost Containment: \$444,400 annual, \$1,942,600 since 2005

- Combine and eliminate positions
- Reduction of overtime pay
- Reduction in staff with prime vendor contracting
- Reduced numbers of MPSERS employees with retirements

Electronic Processes Cost Containment: \$34,300 annual, \$79,300 since inception

- Increased use of web-based media guides for all intercollegiate athletic programs
- Converted to using payroll direct deposits; electronic personnel forms; document imaging processes; paperless reports; electronic student billing; electronic payments to employees, vendors and students; credit card payments accepted on tuition and fees; and web-based project management

Other areas of savings and revenue enhancement

The other areas of savings encompass such wide-ranging opportunities as purchasing supplies and parts on-line and through purchasing consortiums; effective repair machinery instead of replacement with new products; reduction of certain intercollegiate sports by one week. Revenue enhancement initiatives include; creating new meal plans, establish satellite retail dining operations in the library and academic areas, donor-funded improvements to athletic facilities which created rental and catering revenue opportunities. These other areas will help to save over \$300,000 per year and generate an additional \$500,000 per year.

Northern Michigan University

Northern Michigan University has prided itself on creative solutions to the way in which it structures and manages work that ultimately maximizes efficiencies. NMU has used technology (a state of the art wireless/WiMax/wired network) to conduct a vast majority of student business, instructional delivery, and student support on-line. The savings have been substantial.

NMU has reduced the number of colleges, reorganized/consolidated departments, reallocated administrative positions to centralize key decision points. It currently has an established planning process where strategy and positioning are linked to budgetary decisions. In order to be proactive, NMU asked all departments to review possible budget reductions to create a 10 percent budget reduction scenario, reiterating that these proposals should be creative, collaborative, and preserve as many jobs as possible. With this scenario in place, NMU has identified and implemented a number of departmental consolidations, restricted hiring to critical personnel only, and identified and implemented various energy saving projects.

In addition, the university is implementing an action plan that will help position NMU for the future. This action plan includes identifying six new and/or existing growing programs where increased investments will result in more capacity to serve student needs and interests, as well as identifying six programs that will be terminated and their department funds reallocated. A thorough

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review of our athletic portfolio is under way, which may result in dropping those sports and activities that have low student/community support, and investing in new athletic opportunities. This same review process is being applied to student support areas as well.

NMU has heeded the cry of cost containment/cost saving for years, and is consistently among the most efficient campuses on a host of performance measures. In addition to participating in MUSIC, MUCH, Merit, MHEC, and MiDeal, NMU is constantly reviewing operations for additional cost containment strategies that can be implemented. Some of the strategies that NMU has enacted in the past five years are detailed below.

Technology

- Moved to a robotic tape backup system allowing elimination of a computer operator position and lowered tape drive costs saving \$60,000 annually.
- Renegotiated relational database maintenance agreement saving \$600,000.
- Implemented new administrative software and hardware to reduce annual maintenance costs saving \$500,000 annually.
- Adopted new open source software for voice messaging and course management systems, saving \$120,000 annually.
- Created a technological environment to enhance greater savings by increasing the use of online webinars and seminars, using online employee training, encouraging direct deposits with online check stub information, using online departmental financial reporting, and instituting an online human resources application processing system resulting in reduced printing, mailing, room rental, and travel costs, as well as allowing streamlined administrative processes and operations.
- Eliminated the mailings of student bills, grades, and course registration materials by moving to completely online/web-based systems saving \$20,000 annually.
- Utilized staff knowledge by developing many in-house systems for student recruitment, employee performance evaluation, vehicle registration, bicycle registration, a student teacher education suite (application, placement, evaluation), recording student time for the NMU Superior Edge program, and an interface to Payment Gateway for application fees, orientation fees, parking permits, and housing deposits. Development of these systems in-house has saved \$200,000.

Utilities/Energy/Sustainability

- Contracted with an external contractor to conduct a two phase energy audit and conditions assessment of twelve buildings on campus.
- Upgraded HVAC and lighting, implemented water conservation improvements, and installed a new building

automation system providing optimal control during occupied and unoccupied times, phase one (two buildings) is expected to produce an estimated \$200,000 annual savings.

- Reducing energy costs and improve classroom utilization by using space utilization software to schedule weekend classes more efficiently, prioritize class scheduling within buildings, and adjust building hours. These changes allow NMU to turn down heating, cooling, and lighting systems producing energy savings of an average of \$22,000 per semester.
- Implemented a lighting program to save on energy costs by reducing exterior lighting when pedestrian activity is at its lowest level, while still meeting standards followed by most municipalities and providing a pedestrian-safe environment saving almost \$10,000 annually.
- Installed VendingMisers on all of the cold drink vending machines on campus which power down the machine when the area surrounding it is vacant while ensuring that the product stays cold saving an estimated \$7,000 annually.
- Raised the temperature set point in data/server rooms to reduce the cooling load, and initiated the built-in power management function for all networking and server equipment to produce an estimated savings of \$2,000 annually.
- Continue recycling programs for office material, batteries, used oil, and metal which not only save costs but generate revenues for the university. NMU's recycling program started in 1992 and in the past five years has diverted on average 550 tons per year from the landfill, saving \$96,000 in disposal fees.
- Negotiated a one-year extension with no cost increase with the university's solid waste disposal contractor, saving \$4,700.
- Began incorporating LEED Green Building initiatives into design and construction/renovation projects in 2005. NMU was first to have a LEED-Certified Residence Hall in the State of Michigan (2007) and the first to have a LEED-Silver building (2008) in the Upper Peninsula. To date, NMU has constructed one LEED-Certified and two LEED-Silver buildings.
- Instituted a "no-idle" procedure for NMU owned and supplier vehicles to lower fuel consumption, decrease emissions, and save on fuel costs.

Personnel/Benefits

- Reorganized and/or restructured many departments on campus increasing efficiency while keeping our high service level, saving \$600,000 annually. NMU maintains the highest productivity for staffing in the state based on number of students per full-time staff member.
- Adjusted faculty mix utilizing more adjunct instructors in the classroom, saving \$500,000 annually.
- Negotiated a zero percent base salary increase for faculty

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and administrative staff for two of the three years in their contracts. Non-represented staff have also had two years of a zero percent base salary increase.

- Rebid life insurance and long-term disability agreements saving \$135,000 annually, and making changes to the university's self-insured health care plan structure, increased co-pays on prescription drugs, increased employee cost sharing for health care, and promoted use of the NMU Health Center and participation in wellness activities, saving \$900,000 annually.

Debt Service

- Restructured our debt service and moved all variable rate debt to fixed rate producing annual savings of \$550,000.

Oakland University

Oakland University has a longstanding history of cost containment and expenditure control, making a considerable investment of time and effort into managing resources as efficiently as possible.

Year-after-year enrollment increases at Oakland University have continued to create cost containment challenges. Each year, faculty appointments are analyzed and realigned based on demand. Faculty compensation savings realized through attrition are reallocated among the academic units before any new funding decisions are made. The same approach has been followed with other employee groups. Oakland has been able to avoid cost increases by redirecting human resources to areas most affected by growth. In addition, the university bargained and received significant employee concessions in an effort to hold down operating costs. For example, in FY2010 all employee groups accepted a salary freeze and a more cost effective benefit plan structure, which combined will save the university millions. In FY2011 salaries were again frozen for all staff and limited to a 1 percent increase for faculty, allowing the university to continue to hold operating costs and tuition rates down.

Effective January 1, 2010, Oakland University implemented a new health care strategy by providing "healthy living" HMO medical benefits as a choice for employees. Nearly 68 percent of Oakland employees enrolled in these healthy living HMO's in the first year of eligibility. Participation is expected to grow in the future.

Requirements of the healthy living benefits include an annual physical exam with the employee's primary care physician, annual online health assessment, and a commitment to wellness via diet and weight management, smoking cessation, etc. If an employee chooses a more expensive medical benefit (e.g. Blue Cross Blue Shield, PPO), the employee pays the entire cost differential. Through the bidding, negotiation and plan redesign process, Oakland

reduced its projected health care costs for calendar year 2010 by \$1.7 million, a 12 percent savings with this initiative. Oakland University believes this benefit management strategy is the best approach, providing our employees with quality, cost effective medical coverage.

Oakland University has taken action to control costs in a number of other areas over the last several years. These actions include organizational changes, process re-engineering, utility conservation programs, and outsourcing. In addition to these ongoing cost containment initiatives, the University has responded to state funding cuts by implementing more than \$21 million in permanent and one-time budget reductions since FY2003. The cost containment and budget reduction efforts amounted to more than \$42 million, so far.

Oakland University continues to rigorously pursue opportunities to contain costs on a campus-wide basis. Academic Affairs routinely reviews academic programs to identify high-cost, low-degree producing programs for cost saving opportunities. The Pawley Institute for Lean Management Training, an endowed Oakland University program, is being used to help the campus community understand how to eliminate waste from its processes and become even more efficient. Over the past three years, 18 different academic and administrative processes (e.g. academic advising, registration, procurement, payroll, etc.) have gone through this Lean Management review, resulting in nearly \$400,000 in annual savings.

In addition to cost containment initiatives, OU has implemented an aggressive pricing strategy that benefits students in multiple ways. The university has a simple tuition cost per credit hour with no per course, no per credit, no per semester fees. Oakland does not assess fees for parking, recreation, health, athletics, registration, application, graduation, transcripts, etc. The benefits of this strategy include pricing transparency, ease of understanding, and maximization of financial aid (some types of financial aid cannot be applied to certain fees). With this strategy, Oakland has a below average student cost of attendance, all while receiving the third lowest state appropriation per student.

Saginaw Valley State University

Saginaw Valley State University is committed to identifying and implementing both cost reduction and cost mitigation initiatives. The effectiveness of the university's efforts, at least from our perspective, is measured by reference to two key benchmarks – the institution's annual cost of operation per fiscal year equated student and the price charged for tuition.

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Cost per Fiscal Year Equated Student

SVSU operating expenses for FY2010 calculated on a fiscal year equated student basis were the lowest of the 15 state universities. SVSU historically has operated as a low cost institution in comparison to other universities.

Tuition

SVSU's tuition for Michigan resident undergraduate students is the lowest of the state's public universities. Again, this has been historically the case.

There are not any one or two major initiatives that can be highlighted as the reasons for SVSU's low operating cost and low tuition structure. Our simple approach has been to consider all potential cost savings actions – small or large – with the thought that incrementally over time a meaningful level of savings would accrue to the benefit of the university's cost structure. Here are some of the specific actions or initiatives that have been undertaken:

Restrained Staffing Levels

SVSU has relatively low staff counts based upon national benchmark data in managerial rank positions and certain key operational areas such as Campus Facilities. The university also, for example, does not have departments such as Internal Audit, Legal Counsel or Budget and Planning which is common at other institutions. Additionally, the university does not offer low demand courses which provides for the more efficient use of faculty positions.

Fringe Benefit Costs

SVSU offers only a defined contribution retirement plan. The university, as a result, has no unfunded liabilities or annual funding commitments related to a pension plan offering.

The University offers a range of health insurance plans including a low cost option. SVSU has a "cap" in place that limits its annual contribution to health insurance costs regardless of the premium level. SVSU's total cost of health insurance as a percentage of total operating budget is 1.1 percent less than that reported in one recent employer survey of other universities. This equates to an "avoidance" of over \$1 million annually were SVSU health insurance expense at the level of the other universities.

Auxiliary Operations

The University's major auxiliary operations (housing, food service, bookstore, conferencing) operate profitably without subsidy. These operations, in fact, pay to the university over \$500,000 annually for indirect costs.

Student Health Center

The university has entered into an arrangement with a local hospital system for the provision of health care services to the university

community. This arrangement has resulted in a savings to the operating budget of nearly \$130,000 annually.

Utilities

SVSU's utility costs on a per square foot basis are the lowest among the Michigan state universities. As a result of various infrastructure improvements, energy conservation measures and favorable natural gas (purchased collaboratively through the State of Michigan Cooperative Purchasing Consortium) and electricity purchase agreements, SVSU is planning for a campus utility budget that will not need to increase through FY2014. The utility budget last increased in FY2008. If SVSU's utility costs per square foot were at the average cost of the other state universities, its annual budget would be approximately \$1.2 million higher.

Credit Card Acceptance

SVSU no longer directly accepts credit card payments for tuition resulting in an annual savings of \$600,000.

Debt Refinancing

Although primarily impacting auxiliary operations, the university has refinanced debt where possible to reduce debt service costs.

Process Improvement

SVSU has improved many labor intensive processes mitigating the need for additional staff as the university has grown. Some of the improved areas are student course registration, employment and hiring process, purchasing and payroll. The university is currently preparing to restructure some functions of the Financial Aid and Student Financial Services offices with the objective of providing higher service levels while avoiding cost escalation related to the servicing of a large student population.

Liability and Property Insurance

As a committed member of M.U.S.I.C., SVSU receives the benefit annually of an estimated \$350,000 of premium savings compared to insurance purchased in the retail market.

Multi-year Budget Planning

SVSU has in the past several years begun incorporating into Board budget and planning discussions a two-year budget presentation. Although this effort needs further refinement, it does provide insights into the impact of revenue and enrollment assumptions.

Collaborative Purchasing Efforts

SVSU is a member of the Michigan Association of College and University Procurement Administrators (MACUPA) which provides a forum for discussion on collaborative purchasing opportunities. SVSU also belongs to numerous organizations which offer buying discounts. Regionally, SVSU has been engaged with several other state universities in a vendor contract for the purchase of office supplies.

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University of Michigan—Ann Arbor

The University of Michigan—Ann Arbor remains on a stable financial path largely because of its disciplined approach to financial management that emphasizes multi-year budget planning, ongoing cost containment and continual reallocation of resources toward our highest priorities.

Over the last seven years, the University of Michigan has demonstrated remarkable resilience in the face of intense financial pressures. On the revenue side, it has seen an unprecedented decline in our state appropriation. Our FY2011 budget recommendation incorporates a state appropriation of approximately \$315 million, a \$1.4 million decrease from the amount the FY2010 budget. This puts the university's state appropriation at a level more than \$48 million lower the amount appropriated for FY2002, in nominal dollars, and nearly \$115 million lower in inflation-adjusted dollars. On the cost side, the university has seen sharp increases in both energy and health care costs as well as the need to compete directly for faculty and students with lavishly endowed private universities. Despite these pressures, the University of Michigan has continued to mount competitive salary programs, invest heavily in financial aid, launch significant new initiatives and achieve notable success in recruiting and retaining excellent faculty.

A key to our success during this difficult period has been our ability to contain costs, reduce expenditures and reallocate within the general fund budget. The University's ability to invest strategically in our future requires us to aggressively focus on cost containment as part of our annual budget/planning process. Thus, it incorporates an assumed level of reduction and reallocation (typically 1-2 percent of the budget) in each year's general fund budget proposal.

As a result of this effort, in putting together our annual budgets over the past seven years, the university has succeeded in removing nearly \$159 million in recurring general fund expenditures through a combination of increased efficiencies, elimination of lower priority activities and moving expenses from the general fund to other funds. It is planning for nearly \$39 million in additional reductions/reallocation in the FY2011 budget. Reallocation strategies have been implemented across the university including university-wide improvements in areas where operations are centralized and in the academic units. The following describes the university's overall approach to cost reduction/containment and gives examples of notable successes.

Cost Containment Principles and Strategies

The practice of reducing general fund expenditures by 1-2 percent each year to enable innovation and to moderate tuition increases is one that will continue in our future budgetary planning. However, consistently cutting and reallocating at a level higher than the rate

of new investment could jeopardize the quality of the institution and requires careful monitoring. In seeking efficiencies from units, the university has adopted the following principles:

- Protect and invest in our core educational and research missions.
- Remain competitive for faculty/staff/students.
- Leverage our size and scale.
- Maintain high quality essential services.
- Eliminate duplicate and lower priority activities.
- Shift costs from the general fund to other funding sources, where appropriate.
- Avoid short-term reductions with long-term cost and/or quality implications.
- Introduce centralization and greater sharing of resources in cases where this will result in higher quality services and/or more effective use of high quality facilities.
- Consider insourcing and outsourcing when that leads to improvements in service at the same or lower costs.
- Take advantage of advanced technologies to achieve efficiency of operations.

These principles direct the university to pursue a broad range of strategies to achieve cost reductions and long-term efficiencies in operational areas. Within the academic enterprise, these principles direct actions, like the elimination of duplicate activities and the better alignment of high-end facilities with campus needs, which create efficiencies while avoiding negative impacts on teaching and learning.

Within that general framework, the university has focused cost containment efforts in seven key areas.

Purchasing

- Using the University's scale as a purchaser to negotiate strategic supplier contracts with favorable pricing.
- Renegotiating existing contracts with better terms.
- Choosing to self-insure in select areas so as to achieve the full financial benefit of risk reduction programs and investment opportunities with insurance reserves.

Energy Efficiency

- Putting in place efficient campus systems using regional planning to produce steam, electricity and chilled water.
- Constructing new buildings and retrofitting existing facilities so as to achieve a high level of energy efficiency.
- Developing and deploying smart technologies that can both improve efficiency of a computer's power delivery and reduce overall energy consumed.
- Encouraging positive behavioral changes to reduce energy consumption.

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Health Benefit Strategies

- Putting programs and incentives in place to improve the overall health of our community.
- Aligning benefit offerings with the market and ensuring the appropriate level of cost sharing with the employee.
- Structuring plans to result in optimal utilization of health care.

Leveraging Information Technology

- Using technology to create business process efficiencies.
- Creating robust business intelligence tools to enhance data driven strategic decision making.

Other Revenue Sources

- Utilizing gift funds and investment proceeds to relieve the general fund.
- Increasing external research support through investments in strategic areas
- Developing effective partnerships with business and industry.

Greater Productivity of Staff

- Constantly reprioritizing effort, reallocating resources and improving overall productivity levels – doing more with less.
- Creating shared services arrangements, where appropriate, to deliver higher quality support at lower cost.

More Efficient Utilization of Space and Facilities

- Adding stricter criteria and discipline to the prioritization of major capital projects.
- More fully utilizing classrooms and other instructional spaces.
- Campus-wide sharing of high technology facilities.

Between FY 2013 and the end of FY 2017 the university will achieve additional general fund reductions and reallocations of \$120 million. It is planning longer-term efforts that will contribute to this goal by enhancing revenue and achieving additional operational efficiencies. Suggestions from the Prudence Panel, convened in March 2009 by the Provost's Office, resulted in five task forces on Best Practices for Centers and Institutes, Creative Staffing and Shared Services, Expansion of Spring/Summer Instruction, Marketing U-M to Non-Resident Undergraduate Applicants and Non-Traditional Educational Programs at U-M. The recommendations of these task forces will help shape specific cost reduction and revenue enhancement plans for the long term. Additionally, efforts at IT rationalization across the Ann Arbor campus that began early in 2010 will contribute to future-year efficiencies and strategic technology investments.

Learn more about cost control and the university budget at <http://www.provost.umich.edu/budgeting/CostContainment2010.pdf>.

University of Michigan-Dearborn

Since 2002, the Michigan has suffered through very difficult times. The on-going recession crippled state revenues, and hampered business growth opportunities in this region. Revenues from state appropriations to support operations of The University of Michigan-Dearborn have steadily declined. UM-Dearborn has shown remarkable strength managing its operations through a struggling business climate that has impacted finances and challenged student's ability to afford higher education experience. The university has maintained its strategic plan to grow enrollments. During the past 10 years, it has managed to grow its building infrastructure to address our strategic enrollment growth plans that parallel the Lt. Governor John Cherry's Commission on Higher Education and Economic Growth. UM-Dearborn's metropolitan vision will assist southeast Michigan during the period of economic recovery and provide this campus an opportunity to further strengthen our partnership with our community.

Protecting our Instructional Programs

Through the adversity of this weakened economy, the university's success in protecting its educational mission and strengths can be tied to responsible budgeting practices and commitment of resources to the most critical strategic initiatives. Through these difficult financial years, the instructional excellence of the University of Michigan has been protected and expanded. The classroom instruction has been strengthened by strategically increasing the number of ranked faculty, while reducing the number of unranked part-time faculty positions. This strategic decision strengthens classroom instruction for students, while providing additional opportunities for research expansion and publications that represent the outstanding knowledge base of our faculty. This strategy was in reaction to student demand and the business needs in southeast Michigan. To financially implement this strategy, the university needed to re-direct resources. One strategy included a careful assessment of course offerings, which led to the elimination and consolidation of some course offerings and classes. The university has maintained a level of course offerings that still allows students to graduate on time. In addition, to meet student demand for courses in high demand, the university expanded course cap limits to accept more students.

Leveraging Information Technology

Several initiatives have been implemented over the years to take advantage of information technology. UM-Dearborn initiatives saved financial resources, improved employee productivity, and offered new and improved self-help student services. UM-Dearborn has adopted technology that improves efficiencies and simplifies processes and procedures for faculty, staff and students. Over the past 12 years it has implemented the following technology improvements:

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- New financial and student service software systems that provide information and data needed to make critical strategic business and customer service decisions and reduce redundancy in the work flow.
- New on-line service (self-help) processes for students, faculty and staff to save financial resources, while improving service and significantly reduce duplication and human error. Many of the duplicate and lower priority tasks have been eliminated with automated services.

The above examples demonstrate the university's efforts to improve student services, invest in human capital and improve productivity while maintaining current workforce levels.

Cost Containment/Alternative Revenue Measures/Strategies

Through these difficult financial years, UM-Dearborn has carefully managed annual costs to maximize the use of all revenue sources. In doing so, it has identified and acted on a number of initiatives to control costs. These initiatives have allowed a shift in resources to area of critical need. In addition, the university has taken advantage of the expertise of our faculty to enhance research funding, and with this increased funding levels comes higher indirect cost recoveries to offset overhead expenditures.

The university has identified, from major initiatives, an annual savings of approximately \$6 million during the past eight years. Savings have been realized from the following areas:

• Building Infrastructure Initiatives: Savings/Revenue Generation	\$2,300,000
• Energy Conservation Measures	350,000
• Building and Plant Operations Costs	500,000
• Change in Summer Instructional Compensation Rates	300,000
• Outsourcing Credit Card Payment Processes & Associated Risks	350,000
• Insurance & Liability Risk Savings	315,000
• Postage and Paper Printing Savings	275,000
• Telecommunications Savings	135,000
• Copy Service Savings	80,000
• Employee Benefits – Employee Share	600,000
• Modifying Overtime Pay Calculations	15,000
• Classroom Delivery Savings	300,000

Looking Forward

The university continues to do more with less. Through the many years of Michigan's recession, it has been unable to provide inflationary increases for operating expenditure needs. It has turned to technology and creative ideas from employees to increase their productivity and allow us to provide the quality instruction and service students expect in reaching their goal of a University of Michigan degree. A university is a decentralized operation. In this report, the university presents many of the large cost savings initiatives that have taken place over the past 10 years. Not recognized are all of the cost reduction efforts that are going on within the individual departments on this campus. For example, departments have lowered the grade of paper stock, shifted to black and white

instead of color printing, or shortened mailing lists to reduce paper and postage costs. As financial challenges continue, the university will explore all options to maximize our limited resources. It continues to explore more energy conservation measures, health benefit strategies, shared services, and information technology enhancements to reduce costs and increase employee productivity. At the same time, the university leadership continues to review options for new program initiatives to meet the demands of businesses and industry in southeast Michigan.

University of Michigan-Flint

The University of Michigan-Flint is engaged in a continuous program of cost containment strategies and initiatives designed to streamline operations and reduce or minimize costs to keep tuition affordable for students and their families.

The University of Michigan-Flint enjoys certain operational efficiencies of the University of Michigan system because it shares certain centralized administrative functions located on the Ann Arbor campus including but not limited to endowment management, payroll processing, treasury management, information systems, administration of employee benefit plans, legal counsel and shared library resources.

First, as part of the University of Michigan system, UM-Flint is a full participant in the following cost saving programs:

- Health insurance – Effective January 1, 2011, employee contributions will be equivalent to 30 percent of the total program cost. Employee premiums, co-pays, and deductibles are reviewed and adjusted annually.
- Retirement plans – All employees are covered by defined contribution plans. Changes in eligibility for new employees have recently been implemented to reduce cost.

Second, UM-Flint has aggressively worked on the following initiatives to contain costs:

- Elimination of credit card fees for payment of tuition.
- More competitive bidding for technology purchases.
- Less costly managed copier program.
- Implemented electronic billing and communication programs to save paper and mailing costs.
- Improved energy efficiency including participation in CMS Energy Consortium, purchasing natural gas on the open market, more energy efficient lighting, variable frequency drives and other measures.
- Eliminated operating subsidy for WFUM public television station.

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During the period 2005-2010, annual savings from these initiatives are estimated at \$2 million to \$3 million.. During this same time the enrollment at UM-Flint increased from 6,422 in fall 2005 to 8,138 in fall 2010, an increase of 1,716 students or 26.7 percent. The objective is to minimize cost increases while serving a much larger student body.

UM-Flint currently budgets for a three-year period and adjusts its budgets annually depending on changes in enrollment, expected level of state funding and other factors. The annual operating budget is reviewed and approved by the Board of Regents normally in June. UM-Flint is currently engaged in a comprehensive strategic and campus master planning process to set its goals for the next five years. The plans are expected to be completed by spring 2011 and will guide our budget process in coming years.

Going forward, efforts to contain costs will be focused in the following areas:

- Improve energy efficiency by replacement of older boilers in our central energy plant.
- Continue upgrade of campus lighting and other initiatives.
- Implement new policy on cell phones and technology.
- Implement CONCUR travel system to better control and manage costs.
- Study ways to better utilize existing facilities and avoid the higher costs associated with added space.
- Retiree benefits- Currently under review at university level to reduce costs.

These and other measures taken by UM-Flint to contain costs demonstrate good stewardship while at the same time allowing us to better serve a larger population of students.

Wayne State University

Wayne State University (WSU) has engaged in continuous cost containment measures to reduce the operational expenses of the university for most of the past decade. This process has included:

- Reviewing, eliminating, streamlining and changing internal operating processes and policy to generate cost savings that can be measured and taken out of the system and/or to improve customer services.
- Reviewing and examining building systems to find ways to generate energy and other operating cost savings that can be achieved with a complete return of investment over a reasonable timeframe.
- Collaborative and consortium purchasing efforts with the State of Michigan, other public state universities, and national and local organizations.

This effort is embraced across the organization including the

Board of Governors and top management. Just this past summer, the Board of Governors was provided with a compilation of cost savings measures achieved as a result of projects or changes implemented from FY2006 to FY2010. The compilations included larger cost initiatives as well as initiatives that did not capture the same significant savings, but still helped curtail the costs and/or improve overall efficiency and customer service across the University. Based on the initiatives included in the report, the cumulative savings for the FY2006 through FY2010 was \$24.6 million. The projects in the reports began with an estimated annual savings of \$1.6 million in FY2006, \$2.5 million in FY2007, \$5.4 million in FY2008, \$6.9 million in FY2009 and \$8.3 million in FY2010.

The detailed report contains many initiatives. Below are just a few examples of those initiatives:

Health Care Initiatives

- Higher co-pay medical plans were introduced/negotiated for office and emergency room visits as well as for brand name prescription drugs. The projected savings are \$750K annually.
- A third efficiency audit of one of the University's medical plans was completed and a new fee schedule for provider reimbursements was negotiated that resulted in annual cost savings of \$450K.
- An audit of all dependents enrolled in the University's medical, dental and vision plans was conducted and resulted in a 6.5 percent reduction in the total number of dependents. The annual savings is estimated to be from \$100K to \$200K.

Energy Initiatives

- Natural gas steam boilers were installed campus wide which enabled the University to divest itself from the district steam system. The net present value (NPV) of expected cost avoidance is in excess of \$1.3 million annually over the next 30 years.
- Equipment and capital assets were purchased from the City of Detroit Public Lighting Division to switch from primary to secondary metering for electrical consumption resulting in estimated savings of \$400K annually.
- The University will save an estimated \$250K annually by changing from a single effect steam absorption chiller to high efficient centrifugal chillers in two buildings on campus.

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Other Initiatives

- The University implemented an online proposal development tool for the processing and submission of external grant and contract proposals. The estimated annual cost savings for this initiative is \$700K.
- The University partnered with the State of Michigan and OfficeMax to place online orders for office supplies via the web using a customized catalogue featuring the most commonly ordered items with discount prices. The savings are estimated to be \$150K annually.
- A volume purchase process was implemented for desktop computers and laptops resulting in savings of \$100K annually.
- Electronic invoices for student accounts were implemented providing students with access to tuition and fee invoice statements 24 hours/7 days a week. The annual savings as a result of the reduction in staff time, printing and mailing expenses are estimated to be \$75K.
- Developed and implemented a plan to consolidate the shuttle bus routes and provide interconnected services for the employees of the three anchor organizations in Midtown Detroit: WSU, Detroit Medical Center and Henry Ford Health System. WSU signed a contract that encompassed a unified shuttle service which will save WSU \$30K to \$40K a year.

WSU continues to review its policies and procedures to identify opportunities for cost savings. Two examples of projects that were recently started that will have a favorable impact on reducing general fund recurring expenditures when completed are:

- A time and attendance system is under development which will increase efficiency and productivity initially within the Facilities, Planning and Management Division and then be expanded to other appropriate units across the campus. System features will include an automated card swipe time clock system which will interface with the web-based time sheet system and Payroll.
- A direct order system with a major vendor for scientific supplies will be implemented to streamline order processing. The expected savings are estimated to be \$100K annually. This will be the first direct order system of such scientific suppliers.

Western Michigan University

While maintaining an atmosphere of excellence, Western Michigan University (WMU) remains frugal and collaborates and partners with state, local and national programs/organizations to ensure the most efficient use of our resources.

- MUSIC, MUCH, Merit and MiDeal are just a few of the programs. Others include Educational & Institutional Cooperative (E&I); Purchasing Task Force, Hospital Purchasing (HPS); Michigan Purchasing Consortium/State Higher

Education; Michigan Life Services Purchasing Consortium (MLSPC); and Kalamazoo Area Public Purchasing Association (KAPPA).

- Over the past several years, the University's Facilities Management Department has initiated programs and taken measures that have resulted in cost containment in operations of our current facilities. Since 1996, Western has initiated 55 different energy conservation projects that are the equivalent of avoiding over \$36 million in utility expenditures. Many of these projects continue to add to our total cost avoidance numbers. WMU continues to explore and implement programs that will result in huge cost containment measures for any of our new or existing facilities. The following information specifies operational changes implemented since 2005.
- The University has reduced utility consumption (lower heat or simply no heating or cooling) resulting in cost avoidance of \$223,000 by closing buildings that are either not being used or are used very minimally. An additional \$426,000 can be added to the reduction of utility consumption due to buildings that have been razed since 2007.
- Since the implementation of the University's 2005 campus-wide Energy Policy for Closure Periods, the University has seen a cost avoidance of approximately \$1.2 million. Other energy conservation projects initiated across campus since 2005 have resulted in an additional cost avoidance of approximately \$652,000.
- The University's Power Plant has undergone significant changes during the past several years. They instituted a seal water elimination initiative, improved operational efficiency between the power house and maintenance and steam demand, and central administration streamlining in the power plant. Demolition of old less efficient boilers and installation of new highly efficient boilers were handled in-house. All of these changes resulted in over \$1.2 million in cost avoidance.
- In budget year 2004/05, WMU realized \$4 million savings from the implementation of health care benefits restructuring. An additional \$2 million was recognized in 05/06.
- Since 2002, WMU returned \$68,590,900 to the State for past MPSERS service liability payments.
- In 2009, the University implemented a campus-wide lighting upgrade, resulting in a saving of \$155,000 plus an additional \$60,000 in savings for efficient use of labor for the mass re-lamping project.
- In 2005, Building Custodial and Support Services (BCSS) began using the Kaizen Initiative. The resulted savings amounted to \$300,000. In 2008, the BCCS staff also implemented a "green" cleaning process whereby windows and floor cleaning is done with deionized water and no chemicals. In 2009, BCCS implemented the use of "green" cleaning materials and techniques. These two "green" initiatives result in a \$25,000 cost savings.

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- A continuous commissioning and chiller optimization savings for 2008/09 amounted to \$300,000. With the implementation of a high efficiency refrigeration system for dining services and the termination of all dining service kitchen exhaust fans running at night, the University will save approximately \$100,000 per year.
- The University has established a new temperature set point resulting in approximately \$200,000 per year in savings. Using Heat Recovery Wheel Technology for new construction will yield a \$20,000 savings.
- Various other projects/programs have also resulted in cost avoidance or savings for the University since 2005, such as:
 - o In 2005: cooling tower acid modified program and water metering program (evaporation vs. sanitary waste costs) equates to \$25,000 and \$7,000 savings respectively); building electronic control and variable frequency drive initiative resulting in \$78,000 annually; computer control of campus irrigation results in 10,000 per year.
 - o In 2007: shutting off gas turbines for savings of \$510,000; consolidation and cross-training of paper and coater plant management results in savings of \$100,000.
 - o In 2008: implemented heat recovery wheel technology for new construction \$20,000; implemented electrical emergency peak demand load shedding with a two-year total saving of \$51,000; managed electrical production with strategic use of gas turbines \$450,000; expanded building automation system for lawn irrigation to conserve water \$20,000.
 - o In 2009: Initiated a new campus-wide temperature policy \$50,000; HVAC Upgrade with BAS for Waldo Library \$75,000; capacitor bank installation for power factor corrections \$35,000.
- As a result of the many initiatives, the University reduced staff in some areas resulting in savings of approximately \$577,000. The majority of the savings were a result of the Facilities Management divisions being merged.
- The University replaced the old boiler with a new one in Power Plant resulting cost containment of \$300,000.
- WMU's Miller Auditorium partners with New Space Entertainment for the Broadway Series. This partnership provides WMU with an advantage in the market to secure top notch shows at fair prices. Additionally, co-promotions offer the ability to book contemporary offerings resulting in earnings of approximately \$40,000 yearly. Sponsorships alone this season helped to underwrite our events for a total of \$60,000. Partnering with KRESA's Education for the Arts, enables us to offer dance to the community. Miller Auditorium has collaborated with the Gold Company and our own School of Music for a lengthy time which opens up opportunities for our students to perform at Miller Auditorium.

- Reverting to on-line services for various campus programs and offices has saved WMU thousands of dollars. By doing so, the university has eliminated the use of unnecessary paper, printing costs and postage for billing purposes. A new e-refund system for student refunds has been initiated. The university anticipates a savings of \$100,000 for FY 2011. Prior to university contracting with a third party processor for student account credit and debit card transactions in June of 2010, the university incurred substantial service costs from the credit card company. By contracting with the third party processor, the university, as a whole, will save over \$800,000 a year in credit card fees.
- Since changing our policy requiring customers to pay certain "avoidable expenses" including collection costs, the university has saved a total of \$558,000 in general fund expenditures since 2008. The Department of Public Safety has gone to a paperless reporting system and the reduction in producing and mailing forms from the Payroll Department have resulted in yearly savings of \$10,000 and \$13,000 since 2005, respectively. Miller Auditorium has reduced its labor costs in the ticket office by going to the on-line ticket sales. The on-line ticket sales has allowed for the expansion of ticketing services to other local venues (namely, CIVIC, Gilmore, Medieval Congress and Kalamazoo Symphony Orchestra). These expanded services have resulted in an additional \$125,000 per year in income. They have also benefited from the increased customer convenience fees charged via on-line services.
- Public Safety has changed their vehicle replacement program to a five-year trade in program rather than a three-year and anticipates savings of \$25,000 per year. Public Safety has also gone to a bike patrol (weather permitting) that will result in \$2,600 per year in gas savings. Facilities Management has replaced service vehicles with fuel efficient transit connect yielding \$10,000 a year in savings and employed electric vehicles and reduced operating cost by \$5,000. Public Safety has changed the radio system vendor resulting in \$30,000 per year.

WMU is committed to ongoing cost containment efforts. It will continue to explore new avenues that enhance our efforts economically and ecologically. Western Michigan University remains dedicated to maintaining an atmosphere of excellence to all it serves.

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Conclusion

Collaboration is at the very heart of what we do in public higher education. Collaboration takes a variety of different forms and results in an array of benefits, but the bottom line is that cooperation among our public universities is good for students, it is good for the institutions, and it is good for the state.

The public universities are proud of the many collaborative efforts in which they participate. They will remain active and engaged collaborators by operating in cost efficient ways and remaining among the very best in terms of the quality they provide to the state and its students.

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CONCLUSION

Cumulative Savings for MHEC Member States through June 2010

Member States	Cost Savings Programs			Other Initiatives ⁴	Student Access	Savings	Commitment
	Computing Hardware Program ¹	Computing Software Program ²	Master Property Program (Insurance) ³		Midwest Student Exchange Program (Reduced Tuition) ⁵	Cumulative STATE SAVINGS	Cumulative State Commitment Paid through 7/01/2010
Illinois IL August 20, 1991	36,253,089	2,669,516	22,651,946	13,672,196	NA	17,227,183	1,295,500
Indiana IN March 14, 1996	14,497,406	1,159,216	88,419	5,358,571	370,596	21,474,209	1,121,500
Iowa IA June 6, 2005	1,120,638	198,606	NA	23,331,316	NA	2,511,246	461,500
Kansas KS April 25, 1990	2,249,135	989,494	409,416	3,025,262	41,085,172	47,758,480	1,291,169
Michigan MI July 24, 1990	23,045,207	2,164,053	11,106,941	43,702,256	16,986,673	87,292,136	1,295,500
Minnesota MN April 26, 1990	3,707,417	1,186,926	9,504,807	10,876,074	6,671,222	31,946,446	1,295,500
Missouri MO May 9, 1990	8,872,676	1,036,630	14,536,116	3,134,926	NA	23,579,348	1,295,500
Nebraska NE June 5, 1991	2,194,433	808,079	6,720,657	2,127,919	30,307,893	42,158,981	1,295,500
North Dakota ND April 22, 1999	457,863	16,106	NA	1,600,323	NA	1,554,286	941,500
Ohio OH January 9, 1991	15,028,076	2,127,488	45,000	32,198,285	NA	49,398,848	1,295,500
South Dakota SD March 13, 2008	57,776	6,626	NA	NA	NA	64,402	400,000
Wisconsin WI April 18, 1994	5,639,322	181,018	NA	6,747,463	7,301,237	19,869,040	1,155,000
TOTAL	\$112,391,744	\$12,957,218	\$65,415,040	\$125,945,750	\$125,216,155	\$441,925,906	\$12,937,328

Footnotes:

1 Hardware program savings include those from Dell, HP, Lenovo, Juniper, Systemax, Enterasys, Mitel and Xerox.

2 Software program savings are from the Novell/MHEC Collaborative Program, Oracle, and VMWare.

3 Based on premium & loss information as of June 30, 2010

- 4 Other Initiatives are sunsetted programs: Office Products, Telecom, Equipment maintenance, Academic scheduling, Interactive video and APN
5 Student tuition savings through the academic year 2009-2010

MHEC Program Savings for 12 Months

State	What States Pay 2009-2010	What States Save	Where States and Citizens Save			
	Member State Annual State Commitment to MHEC	Total Annual Savings	Computing Hardware Program ¹	Computing Software Program ²	Master Property Insurance Program ³	Midwest Student Exchange Program ⁴
1. Illinois	95,000	11,212,671	6,028,118	196,838	4,987,714	NP ⁵
2. Indiana	95,000	2,147,752	1,704,869	50,687	21,601	370,596
3. Iowa	95,000	756,536	491,320	265,215	NP ⁵	NP ⁵
4. Kansas	95,000	4,168,836	953,113	317,130	36,376	2,862,216
5. Michigan	95,000	7,403,835	3,608,516	270,892	1,237,762	2,286,665
6. Minnesota	95,000	3,117,812	1,534,197	49,089	593,469	941,057
7. Missouri	95,000	4,638,622	866,590	54,792	1,670,148	2,047,092
8. Nebraska	95,000	1,574,109	955,804	104,881	301,762	211,663
9. North Dakota	95,000	2,948,621	104,239	10,457	NP ⁵	2,833,925
10. Ohio	95,000	3,417,481	3,177,336	240,146	NP ⁵	NP ⁵
11. South Dakota	95,000	52,001	49,721	2,280	NP ⁵	NP ⁵
12. Wisconsin	95,000	3,354,565	884,929	55,989	NP ⁵	2,413,648
Program Totals	\$1,140,000	\$44,792,841	\$20,358,752	\$1,618,395	\$8,848,833	\$13,966,861
						Program Totals

Footnotes:

- 1 Hardware program savings include those from Dell, HP, Lenovo, Juniper, Systemax, Enterasys, Mitel and Xerox
- 2 Software program savings are from the Novell/MHEC Collaborative Program, Oracle, Trend and VMWare
- 3 Based on premium & loss information as of June 30, 2010
- 4 Student tuition savings for the academic year 2009-2010.
- 5 Non-participating state for 2009-2010

July-10





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